

Saudi Oil Disad

Saudi Oil Disad	1
1NC	2
1NC	3
1NC	4
1NC	5
Uniqueness—Relations Strong Now	6
Uniqueness—Relations Strong Now	7
Uniqueness—Relations Strong Now	8
Uniqueness—Relations Strong Now	9
Links—Transportation Infrastructure Decreases Imports	10
Links—Transportation Infrastructure	11
Links—Oil Infrastructure	12
Links—HSR	13
Links—Mass Transit	14
Links—Alternative Fuel	15
Links—Infrastructure Bank/Financing	16
Internal Links—Oil Key to Relations	17
Internal Links—Oil Key to Relations	18
Internal Links—Oil Key to Relations	19
Internal Links—Oil Key to Relations	20
Internal Links—Oil Key to Relations	21
Impacts—Decline in Saudi Oil→ Chaos	22
Impacts—Decline in Saudi Oil→ Chaos	23
Impacts—Saudi Trades-Off With Iranian Oil	24
Impacts—Damage Iranian Oil→ War	25
Impacts—Alliance Key to Solve Iran	26
Impacts—Relations Key to Solve Iranian Prolif	27
Impacts—Iranian Prolif→ Extinction	28
Impacts—Oil Prices Key to Economy	29
Impacts—Oil Prices Key to Economy	30
Impacts—Relations Key to Petrodollar	31
Impacts—Relations Key to Petrodollar	32
Impacts—Petrodollar Switch Kills the Economy	33
Impacts—Relations Key to Prolif	34
Impacts—Relations Key to Prolif	35
Impacts—Relations Key to Middle East Stability	37
Impacts—Relations Key to Middle East Stability	38
Impacts—Middle East Stability Impacts	39
AT: Non-Ux—Low Price Now	40
AT: Drilling/Other Factors Overwhelm	41
AT: Saudi Dependent on the US	42
AT: Markets Volatile	43
AT: Transportation Not Enough	44
AT: Saudi Arabia Won't Be Affected By Transportation	45
AT: Saudi Oil Prices Rising	46
AT: Drilling Makes it Non-Ux	47
AT: Saudi Oil Bad for the Environment	48
AT: Price Declines Now	49
AT: Other Sources of Oil Solve	50
Aff—Non-Ux: Transportation Now	51
Aff—Stability Non-Ux	52
Aff—Oil Not Key to Relations	53
Aff—Security Cooperation Solves the Impact	54
Aff—Relations Resilient	55
Aff—Oil Wars→ Extinction	56
Aff—Oil Wars→ Extinction	57

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American Demand is Maintaining Saudi Oil Revenue Now—They Can Sustain this Level of Production For the Long Term Enabling Strong Relations

AME Info Middle East Reporter, "Saudi oil production to stay high on US demand, Iran sanctions," March 18th, 2012 (<http://www.ameinfo.com/293804.html>)

Saudi Arabia's oil production is seen staying above 10 million bpd on raised demand and continued restrictions on Iran, but it is unclear how much stability this increase will provide to the market in the coming months.

After the Saudi Arabian Monetary Agency (SAMA) vowed earlier this year to correct any imbalance in supply and demand, crude oil production capacity is currently in the region of 12.5 million bpd. While this figure may not be sustainable long term, **an output sustained over 10 million bpd is anticipated, in part due to growing demand from the US.**

"In terms of production, I think the Saudis can probably manage to produce at over 10 million bpd for quite some time," says Katrina Dunkley, Senior Petroleum Analyst at FTI Consulting.

"That's not say it doesn't put strain on global spare capacity or the Saudi wells. The Saudis only have two major fields coming online through 2016. It is going to be difficult for the Kingdom to sustain total crude production capacity at the current levels of 12.5 million barrels if they are continually required to ramp up production and to cover supply losses." US to buy more Saudi oil, implications for Opec

Last week oil prices rose 2% on continued disputes over Iran's nuclear program and a weaker dollar, and **while Saudi Arabia still maintain a flexibility in their capacity, the US has more oil imports on order as of July. This is revenue for the kingdom but has wider implications**, explains Dunkley:

"On the one hand, you have the United States, an ally, asking for increased supply to make up for lost Iranian barrels. This is the second time in two years the United States has asked the Saudis to boost supply. Of course the argument here is if the price rises further, it will cause a snapback to global recession which will hurt everybody."

"One added dimension of the global picture is Opec as a cartel is facing what could be the beginning of an existential threat from North American tight oil production. There is a chorus of voices who believe that within the next five to ten years, Opec imports won't even flow to the U.S Gulf Coast."

The ramifications for Saudi Arabia are serious and also for what Opec calls 'security of demand'. Dunkley's view is that the kingdom has every incentive to keep oil prices high now, with the distinct possibility that shale oil could come on the scene and cause prices to be slashed. However unclear the situation is, Opec needs to 'start preparing for more non-Opec competition.'

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US Transportation Demand Creates Huge Imports of Saudi Oil—We are Dependent on Their Imports Now

Matthew R. Simmons, Oil Economist and Former Member of the National Petroleum Council, "The Implications of Saudi Arabian Oil Declining," Hudson Institute, July 9th, 2004 (<http://www.hudson.org/files/publications/Simmons%20-%20Implications%20of%20Declining%20Saudi%20Oil.pdf>)

The USA is still a society grounded on a steadily and ever increasing diet of fossil fuel energy. Of the three fossil fuels, natural gas, coal and **oil**, the latter **is by far the most important in both volume and lack of substitutability** if our oil supply was ever endangered. **Given the size of our country, our practice of routinely driving across many state borders, our practice of transporting a high percentage of our goods over our highways and via air, our embrace of suburbia as the first choice of where most people live, and our lack of any significant form of mass transportation, we use more energy per capita than any other nation. In oil terms and in terms of total energy, we use 25% of the world's total supply.** Yet we have only 4% of the world's population. Some of this distortion is also due to our prosperity. The U.S. GDP is 33% of the world GDP. Thus, we are actually a more efficient energy user than the average other country. A myth about our country's energy dependence is that we made ourselves far less reliant on energy than we were in the 1970s. We did reduce the amount of oil used as a percentage of our GDP, but this was due to several factors. We successfully introduced nuclear power into our energy mix in the late 1970s. Nuclear power accounts for 8% of our total energy mix. The advent of nuclear power essentially resulted in oil being used as a primary source to create electricity. At the same time, several of the U.S. heavy manufacturing sectors found it harder and harder to compete with the far newer plants in Japan and Germany. In a short few years, the U.S. lost its massive market share in automobile manufacturing, steel and aluminum and other key parts of our industrial sector. As the heart of America became the Rust Belt, we accidentally took our energy dependence down another notch. When many energy experts warned that \$50 to \$200 per barrel oil prices were imminent, there was a clear shift to more energy-efficient appliances, cars, roofing material, etc., but **all these improved energy efficiencies had only a modest impact on our energy use compared with the introduction of nuclear power and the unfortunate creation of our Rust Belt. As the supply of U.S. oil peaked in 1970 and the only new source of domestic oil coming from Alaska also subsequently peaked in 1989, our country's reliance on imported crude oil and finished oil products refined outside the United States steadily grew.** Our country's appetite for oil also increased. By the spring of 2004, U.S. oil consumption hovered at the 20 to 21 million barrel per day range while domestic oil supply dropped to just over 5.5 million barrels per day. Domestically produced natural gas liquids makes up another 2 million barrels a day. Refinery processing gains creates some additional supply but **our country is now hooked on the need for a 5 steady daily import of 11 to 12 million barrels a day of foreign oil and finished oil products.** This astonishing amount is far greater than any country in the world produces. In this context, **our need for a steady supply of Saudi Arabian oil is far more crucial to the wellbeing of our economy** in 2004 **than ever before. While we import oil from many other suppliers, none of them send us even close to the amounts we rely on from Saudi Arabia. Moreover, many of our other key sources of oil import** (which I list below) **are facing their own problems in maintaining a steady oil supply.**

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The Saudi Oil Ministry is the Driver of International Relations—Failures or Conflict Within the Oil Market Tanks the US-Saudi Relationship

Jennifer S. Delaney, Master of Arts in Diplomacy and Military Studies, "The Unlikely Partnership: The State of the U.S.-Saudi Relationship," Summer 2009

(http://www.hpu.edu/CHSS/History/GraduateDegree/MADMSTheses/files/Jennifer_Delaney_Final_MADMS_Thesis_Aug_2009.pdf)

As ARAMCO became more and more involved with the day to day activities of the Kingdom, the company became more than just a company working to remove oil from the ground. It would become the Kingdom's state contractor and advisor on international affairs. The biggest demonstration of ARAMCO's ability to act as a liaison between Saudi Arabia and foreign countries was the Burami Dispute. The border between Oman, the United Arab Emirates and Saudi Arabia had never been firmly established. In 1951, after ARAMCO geologists surveyed the area and discovered that the territory of Abu Dhabi might contain large quantities of oil Ibn Saud laid claim to that land and started an international incident that only avoided conflict because Britain and the United States stepped in and the nations agreed to an arbitration settlement in 1954. ARAMCO played a large role in preparing the Saudi case. As Malcolm Peck explained in his book the United Arab Emirates A Venture in Unity, —**The impressive scholarly resources of the research division of Aramco were devoted to developing the case for Saudi Arabia,** which rested primarily on establishing tribal loyalties as demonstrated through payment of Islamic tax, zakat, to representatives of Saudi Rulers. □¹⁰⁵ This event helped the two parties form a partnership and learn to work with and trust each other, —Indeed, **by the early 1950s ARAMCO had become such an influence on the development and economy of Saudi Arabia, and so critical to world energy supplies, that it became a policy issue for the State Department.** □¹⁰⁶ **It was this early bond that would help the two countries to work through the hard political issues of the 1960s and 1970s keeping oil flowing, revenue coming in and more importantly, helping to establish Saudi Arabia as the region's stable oil producer. The U.S.- Saudi oil relationship has served both nations well, however, it is during economic hardship and when the oil market is extremely volatile that both nations need to reaffirm their position in the relationship and clearly explain their objectives. Otherwise, as history has shown, the relationship and the economies of both countries suffer.**

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Saudis Breaking Free From the Relationship Will Encourage Israeli Strikes, Destroy Stability and Terminate in Extinction

Bradley Bowman, U.S. Senate Committee on Foreign Relations, "Chain Reaction: Avoiding A Nuclear Arms Race In The Middle East", March 13th, 2008

(http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=110_cong_senate_committee_prints&docid=f:39674.pdf)

Of any Middle Eastern state, **Saudi Arabia is the state most likely to pursue nuclear weapons in response to the development of an Iranian nuclear weapon.** While acknowledging the difficulty inherent in accurately predicting the ramifications of a Saudi nuclear weapon, **one can envision a host of likely or possible outcomes that would dramatically undermine peace and stability in the Middle East and severely endanger U.S. interests and security. At some point in the Saudi process of developing or acquiring a nuclear weapon capability, Israel would likely detect the Saudi nuclear activity. Israel might strike a small number of Saudi targets in order to eliminate the program in its infancy. Even if the Saudis could obtain a nuclear weapon without Israeli knowledge, it is difficult to imagine a passive Israeli acceptance of a Saudi nuclear weapon,** which the Israelis would likely view as an existential threat. If the Israeli response to a Saudi nuclear weapons program took the form of a military attack it would be seen in the Arab World in the context of an attack from the Jewish state against the Islamic holy land and home of the "two holy mosques." **Such an Israeli attack on Saudi Arabia would represent one of the greatest offenses to Muslims in history and would incite an unprecedented level of radicalization directed against Israel and the United States, possibly resulting in a regionwide conflict between Arab States and Israel. A Saudi nuclear weapon might also spur a regional nuclear arms race. Iran would likely respond by increasing the number of nuclear weapons in their arsenal,** the accuracy of their delivery systems, and the variety of their launch platforms. If Israel took either of these steps—especially in an overt and explicit manner—it would place tremendous political pressure on Egypt to respond.¹ The Egyptian response could consist of a renunciation of its peace treaty with Israel, a repudiation of its relations with the United States, or the initiation of an Egyptian nuclear weapons program. The Egyptian people would undoubtedly demand the government take some forceful and substantial action. This interaction between Israel and Egypt would also be exacerbated by the existence of a Saudi nuclear weapon. Even if Israel didn't react in this overt way to a Saudi move, a **Saudi nuclear weapon would put great pressure on the Egyptians to follow suit.** Egypt views itself as the leader of the Arab world and a Saudi nuclear weapon would directly challenge this self conception. **Moreover, a Middle East that includes a nuclear-armed Iran and Saudi Arabia would also place significant pressure on the Turks to respond in kind.** While **this "nuclear cascade" or chain reaction may represent the worst case scenario,** it is not outside the realm of possibility if Saudi Arabia responds to Iran by pursuing a nuclear weapon. While it is unlikely that such a nuclear cascade would unfold exactly in this manner, the odds that some of these developments may occur requires that the United States assess the likelihood that Saudi Arabia would pursue a nuclear weapon and take steps to decrease this likelihood.

Uniqueness—Relations Strong Now**American-Saudi Security Cooperation is Strong Now, Anti-Terror Efforts Demonstrate Long Term Viability**

Wall Street Journal, "Behind Foiled Jet Plot, Stronger Saudi Ties," May 9th, 2012

(http://online.wsj.com/article/SB10001424052702304543904577394373945627482.html?mod=googlenews_wsj)

RIYADH—U.S. and Saudi intelligence services are sharing security information and surveillance technology in their covert operations against Yemen's branch of al Qaeda, according to people familiar with this cooperation, describing operations on a scale unimagined in the years of mutual blame for security failures surrounding the attacks of Sept. 11, 2011.

New details of the U.S.-Saudi cooperation have emerged in the days after reports that U.S. and foreign intelligence services had foiled a bid by Yemen's Al Qaeda branch to bring down a U.S. jetliner. Officials familiar with the operation later confirmed that the plot was uncovered when a Saudi agent successfully infiltrated the Yemeni group, volunteered for the suicide mission, and then handed the alleged explosives and a trove of intelligence to Saudi intelligence.

The two allies have used U.S.-supplied technology, including intercepting phone and email traffic and tracking computer locations, and have relied on a Saudi intelligence network that stretches deep within Yemen's tribal areas, according to former officials with knowledge of Yemen and Saudi Arabia.

While these people didn't comment on this week's operation, they said the allies intensified efforts in Yemen after December 2009, sharing intelligence to kill key figures of Yemen-based Al Qaeda in the Arabian Peninsula and block attempted attacks, including a 2010 attempt to send bombs in ink cartridges to the West.

Working in Yemen—where political instability and poverty have provided fertile ground for AQAP, which U.S. officials call the most threatening remnant of Osama bin Laden's network—the Saudi network has secured Yemeni tribal sheiks' cooperation using payments of as low as \$5 per month, a Western security analyst said. "The leverage you're buying with such a small amount of money is quite large, because people are quite poor," this person said.

The CIA declined to comment.

Saudi officials are typically tightlipped about security issues and haven't commented publicly since the kingdom's alleged role in uncovering the plot was made public. A prominent former official familiar with Saudi intelligence didn't respond to an emailed request to comment.

The U.S. reliance on Saudi intelligence could limit the scope of U.S. criticism of Saudi Arabia over alleged human-rights violations and other issues, some counterterrorism experts say. There are several lingering points of contention between Washington and Riyadh, including U.S. displeasure over Saudi Arabia's role in aiding Bahrain's crackdown on domestic protesters.

The cooperation against AQAP represents an effort by both sides to build ties after 2001, when each ally accused the other of failing to either seek out or share information that could have stopped the 9/11 attacks, which were carried out by assailants who were predominantly Saudi.

The U.S.-Saudi intelligence effort accelerated significantly after 2003, as al Qaeda began what became a five-year string of attacks on Western and Saudi targets within the kingdom.

Uniqueness—Relations Strong Now**US-Saudi Business Contacts Sustaining a Strong Positive Relationship Now**

Business Wire, "SABIC CEO calls for greater collaboration between US and Saudi Arabia business leaders at US-Saudi Business Council meeting in Seattle," May 17th, 2012 (<http://www.marketwatch.com/story/sabic-ceo-calls-for-greater-collaboration-between-us-and-saudi-arabia-business-leaders-at-us-saudi-business-council-meeting-in-seattle-2012-05-17>)

(BUSINESS WIRE) -- Mohamed Al-Mady, SABIC Vice-Chairman and CEO, has called for more productive engagement between US companies and the Saudi private sector to further strengthen business relations in hopes of helping accelerate their respective global growth agendas.

Addressing a meeting of the US-Saudi Business Council in Seattle on May 16, Al-Mady, who is the Co-chairman of the Council, said, "I cannot overemphasize the importance of our continuing relationship and the bond which has developed over these many years. In this context, and in my role within the US-Saudi Business Council, I see myself as a goodwill ambassador to American business enterprise."

He called for Saudi and US business leaders to begin to more aggressively promote the many bilateral opportunities which exist within the two countries. "Greater US representation within the Kingdom is very welcomed -- as it always has been. It is incumbent on all of us to engage in an ongoing campaign to strengthen the business ties that have made our relationship so important," he said.

Speaking about Saudi Arabia's strategic plan to support and develop local industry through the National Industrial Cluster Development Program, Al-Mady said that business leaders in both countries could play important roles in this plan. This program is crucial to Saudi Arabia's future as it focuses on the importance of developing small and medium enterprises to help grow a strong entrepreneurial base and diversify its economy, he said.

SABIC, together with its affiliates, developed a robust downstream model which has become both a SABIC and Saudi Arabian success story. "SABIC has been the mainstay in converting associated production gas to valuable marketable products which have enabled the development of local downstream industries," he said.

The U.S.-Saudi Arabian Business Council is an organization of business leaders in both countries working together to strengthen bilateral business relations through trade and investment by promoting a broader understanding among US and Saudi companies, as well as providing information on specific business opportunities. Al-Mady was named co-chairman of the Council effective March 1 this year.

Uniqueness—Relations Strong Now**Scratches in the Alliance are Only the Brink—The Overall Relationship Remains Strong**

Agence France Presse, "US, Saudi relationship in good shape: top US official," September 16th, 2011

(http://www.google.com/hostednews/afp/article/ALEqM5jA_FSDO25m2rYXq51dz_ThnLtD3w?docId=CNG.b6d207691ba28c0711d32cc4f2496bd7.551)

WASHINGTON — The key diplomatic relationship between Saudi Arabia and the United States is in "good shape" despite "scratchy" disagreements over Arab Spring revolutions, a senior US official said Friday. President Barack Obama and Saudi King Abdullah also have a very good understanding, US National Security Adviser Tom Donilon said, days after new concern emerged over one of America's most vital Middle Eastern alliances. "I would be less than honest if I didn't indicate there were disagreements about how the United States should go about handling" uprisings against longtime Arab leaders, Donilon said at an Economic Club lunch in Washington. "I think it is fair to say, and I have said this publicly before, that our conversations with the Saudis about this were scratchy. "There were some disagreements about this." Analysts say Saudi Arabia was angered at the Obama administration after it distanced itself from long-time Egyptian leader Hosni Mubarak -- a linchpin of US security policy in the region, before he was deposed. But Donilon said that it had since become clear that the turmoil and revolt sweeping the Arab world was an indigenous uprising, and was not orchestrated by the United States or any other external forces. "I have talked directly with the leadership of Saudi Arabia... and I think the relationship is in very good shape. Why? I think because it is based in shared strategic interests," he said. "We have had a relationship for 70 years based on a set of shared strategic interests." Donilon expressed optimism that the key allies would get past earlier disagreements, pointing to the "very good relationship" between Obama and King Abdullah. Speculation over the state of relations between Washington and Riyadh were stirred again this week when the former Saudi ambassador to Washington, Prince Turki al-Faisal, wrote a blistering New York Times opinion piece. He warned that if Washington carried out its threat to use its veto to halt the Palestinian drive for statehood recognition in the UN Security Council, it would put at risk Saudi-US cooperation in numerous areas.

Uniqueness—Relations Strong Now**Saudi-American Partnership is Historically Strong, Can Put Up With Small Bumps Now**

Herald Citizen, "The Central Role of Saudi Arabia to U.S. Middle East Interests," November 6th, 2011 (http://www.herald-citizen.com/view/full_story/6925006/article-The-Central-Role-of-Saudi-Arabia-to-U?instance=latest_articles)

The Kingdom of Saudi Arabia and the United States have been close partners since the 1930s when oil exploration led to formal commercial ties. Diplomatic links were in place when Franklin Roosevelt traveled at the height of World War II to meet King Abdul Aziz in the Suez Canal, and that 1945 meeting solidified relations, based on mutual interests and respect. Saudi Arabia demonstrated its standing in the world when, just 13 years after its own founding as a unified country, it was a founding member of the United Nations, as a signatory to the UN Charter. Its partnership with America showed through during decades of Cold War as it stood staunchly alongside the United States in thwarting Communist ambitions from Afghanistan through Africa and Central and South America. In the 1970s and 1980s as revolution in Iran and a hot war in the Gulf threatened regional security and the provision of global energy supplies, Saudi Arabia was steadfast in its commitment to stability. The Kingdom continues to pursue peace between Palestine and Israel as demonstrated by authorship of comprehensive plans in 1982 and 2002. The latest offers peace and relations between Israel and all members of the Arab League in exchange for a return to pre-1967 war borders, the yardstick most observers see as a realistic framework. Saudi Arabia's leadership among Arab and Islamic countries is shown through its moderating role in both the 22 member Arab League and the 56 member Organization of the Islamic Conference. Its influence is underpinned by service as custodian of the holy places of Islam, Mecca and Medina, and its role as annual host to three million pilgrims who journey to the Kingdom for the Hajj. Saudi Arabia is an active participant in numerous efforts to bring global partners together. As the scourge of terrorism reached a peak in the West and the Arab world, Saudi Arabia -- having suffered its own wave of deadly attacks from an Al Qaeda campaign launched in 2003 -- convened an international conference on counter terrorism, fostering practical ways to tackle the global affliction. The Kingdom's commitment continues, exemplified by very close intelligence cooperation with its allies. Al Qaeda's plot last year to destroy two U.S. bound airliners with parcel bombs was interrupted only as a result of intelligence shared by Saudi Arabia. The Kingdom's commitment was reaffirmed this September when it provided \$10 million to fund a counter terrorism center at the United Nations. On the energy front Saudi Arabia leads in ensuring adequate supplies to meet global energy requirements. It is the only oil exporting country with enough production -- made possible through significant expense -- to make a difference in global supplies. It regularly makes up shortfalls in the aggregate world market resulting from civil unrest, conflict, and natural disasters that would otherwise cause severe market disruptions. The recent loss of Libyan oil on the world market was made up by Saudi spare capacity. The Kingdom continues as an active partner with its Gulf and Western allies in defense arrangements. The 1990-1991 Gulf War spotlighted Saudi Arabia's leadership in hosting, supporting and serving in combat alongside a grand international coalition to contain and ultimately expel Iraq from Kuwait. Defense cooperation remains a pillar in the relationship, especially in the face of the Iranian regional security threat. There is perhaps no more emblematic sign of Saudi Arabia's partnership with America than the King Abdullah Scholarship Program, which has placed more than 40,000 students in the United States, including over 100 at Tennessee Tech. The program provides higher education to a growing number of Saudi youth while serving to build bridges during their stays in America and then serving as unofficial ambassadors when they return home.

Links—Transportation Infrastructure Decreases Imports**Reform in Transportation Infrastructure Directly Decreases Petroleum Imports**

Todd Litman, Victoria Transport Policy Institute, "Smart Transportation Economic Stimulation," Transport Policy Institute, April 21st, 2009 (http://www.vtpi.org/econ_stim.pdf)

Transportation planning decisions significantly affect future economic development by influencing energy consumption, particularly oil imports. North Americans currently consume about twice as much transportation fuel per capita as peer countries, due largely to differences in fuel taxes, transportation investments and land use planning. Had North America implemented energy conservation policies comparable to peer countries two decades ago, national fuel consumption would be about half its current rate, keeping hundreds of billions of dollars in the economy annually.

Dependency on imported petroleum is economically harmful. A US Department of Energy study estimated that excessive dependence on imported petroleum cost the U.S. economy \$150-\$250 billion in 2005, at a time when oil averaged \$35-\$45/bbl (Greene and Ahmad 2005). A U.S. Department of Energy study estimates the external costs of imported oil ("the quantifiable per-barrel economic costs that the U.S. could avoid by a small-to-moderate reduction in oil imports"), excluding military costs, to be \$13.60 per barrel, with a range of \$6.70 to \$23.25 (Leiby 2007). These costs are expected to increase in the future as international oil prices rise and as U.S. oil production declines.

Links—Transportation Infrastructure**Transportation Funding is The Vast Majority of American Oil Consumption—Updates in Transportation Infrastructure Massively Reduce American Imports**

John-Michael Cross, Policy Associate, Transportation and Communities Program at EarthShare, “Demystifying Transportation Funding with EESI,” April 10th, 2012 (<http://www.earthshare.org/2012/04/eesitransit.html>)

The transportation sector accounts for three-quarters of our national oil consumption. The United States transitions off oil by moving to highly efficient vehicles and alternative fuel vehicles, increasing mass transit and other transportation alternatives, and by redesigning our communities to be less car-dependent. Until recently, American fuel economy standards sat unchanged for 20 years. The Obama administration will soon officially set fuel standards through 2025, effectively doubling passenger car average efficiency to 54.5 miles per gallon. The administration has also set the first fuel efficiency standards for heavy trucks and buses through 2016. These standards promote production of vehicles that use no oil at all, including electric vehicles. Continuing to push these standards higher will be critical to developing alternative technologies and breaking our oil addiction.

Links—Oil Infrastructure

Development of Oil Transportation Infrastructure Inherently Trades Off With External Imports and Results in Price Declines

Econbrowser Economics Blog, "Work-arounds for the politics of Keystone," February 19th, 2012

(http://www.econbrowser.com/archives/2012/02/workarounds_for.html)

The [Keystone Gulf Coast Expansion Project](#) is now entering its fourth year of regulatory review, and is currently on [indefinite political hold](#). In the mean time, the market is figuring out other alternatives.

A key demonstration of the need for better oil transportation infrastructure in the United States is the price gap between West Texas Intermediate, a light, sweet crude traded in Cushing, Oklahoma, and Brent, a similar crude from the North Sea. The Law of One Price suggests that these very similar products should sell for a very similar price, and indeed for most of their history, they did exactly that.

However, a remarkable spread between Brent and WTI began to develop at the start of last year. New production of crude from North Dakota and Canada, decreased U.S. demand, and pressure on European supplies of light, sweet crude from developments in Libya all changed the relative supply and demand situations in the central U.S. and Europe. Brent began to break away completely from WTI, with the spread last week bumping back up near \$20/barrel. The spread between Brent and North Dakota crude is even more dramatic, with the latter selling at up to a [\\$40 discount to Brent](#).

That price differential is a very loud market signal that we're using available resources extremely inefficiently, and impoverishing ourselves in the process of paying so much to import oil from places like Nigeria, Iraq, Saudi Arabia, and Venezuela. That market signal is also a strong incentive to anybody to try to figure out a way to transport the lower-cost crude now available in the northern and central United States to refiners on the U.S. coasts, who are currently paying inflated prices to obtain oil from overseas.

One logical solution would be [TransCanada corporation's Keystone Gulf Coast Expansion](#) proposal to build a major new pipeline to carry oil all the way from Canada and North Dakota down to refiners on the Gulf of Mexico. As obvious and logical as this is from an economic perspective, it unfortunately became a political symbol for some broader controversies, whose net effect has been to paralyze the Obama Administration from moving forward.

Links—HSR**HSR Removes Billions Spent on Foreign Oil**

THOMAS A. HART, JR., ESQ, VICE PRESIDENT FOR GOVERNMENT AFFAIRS AND GENERAL COUNSEL US HIGH SPEED RAIL ASSOCIATION, "House Testimony," January 27th, 2011

(<http://republicans.transportation.house.gov/Media/file/TestimonyRailroads/2011-01-27-Hart.pdf>)

Presently, all of our national transportation systems are overloaded and in a state of disrepair - which causes countless delays and waste - costing the nation more than \$100 billion dollars per year in lost time and wasted fuel. With the price of oil rising again and heading towards \$100 per barrel, it is of the utmost importance that we quickly get these new rail systems built to offer a redundant transportation system not dependent on oil or subject to oil price fluctuations. Ironically, increased oil prices translate into increased rail ridership, which in turn improves the business case from HSR. We have already seen this happen in the summer of 2008 when oil hit \$147 per barrel, and the ridership on America's rail systems rose to record levels.

Just one year ago this week, President Obama in his State of the Union Address, announced a commitment of \$8 billion dollars for this new visionary HSR program by remarking, "[t]here's no reason Europe or Asia should have the fastest trains." The very next day executives from USHSR joined the President and Vice President Biden in Tampa for the announcement of HSR's arrival to Florida and America's introduction to 21st century's transportation.

Links—Mass Transit**Most Oil is Consumed in Metro Regions—Mass Transit is the Largest Contributor**

[Deron Lovaas](#), Federal Transportation Policy Director, Natural Resources Defense Council, “Drilling in Detroit and on Main Street,” National Journal Transportation Blog, March 18th, 2011

(<http://transportation.nationaljournal.com/2011/03/the-impact-of-high-gas-prices.php>)

Now we need to look at the places where most oil is consumed -- our metro regions -- and drill there. [We need to drill on Main Street](#) via investment in new rail, bus rapid transit, jitneys, shuttles, vanpools, carsharing, telework, a whole array of fuel-saving options for consumers. The options should fit the context. Rail doesn't work everywhere, neither does bus rapid transit, for example. But the hierarchy can be developed and deployed in the coming years and decades. The nice thing about such mobility choices is that -- unlike average fuel-efficiency -- they not only save oil economywide, they offer flexibility. So if prices spike rapidly, we can react more nimbly by shifting modes (including virtual modes like broadband) to make our daily rounds. We can save in oil in a hurry, if necessary.

Links—Alternative Fuel**Reshaping Transportation Fueling Takes a Huge Bite Into Oil Prices and Dependence**

[Deron Lovaas](#), Federal Transportation Policy Director, Natural Resources Defense Council, "Drilling in Detroit and on Main Street," National Journal Transportation Blog, March 18th, 2011

(<http://transportation.nationaljournal.com/2011/03/the-impact-of-high-gas-prices.php>)

What will this mean, in shorthand? It will mean that we pivot from drilling for more fossil fuels-- we have that front covered, since the U.S. already has more than a half-million wells producing oil, more than all other nations combined -- to "drilling" that saves oil. A decade ago, the Union of Concerned Scientists made this argument for vehicles with a report called Drilling in Detroit, which pointed out that there's a lot of oil to be saved by raising the bar on average fuel economy for the auto fleet. Now, thanks to the 2007 Energy Independence and Security Act and the Obama Administration the fuel-economy performance is sure to improve until 2016, and new rules are being written right now to build on those gains out to 2025. Such new standards could save as much as 2.8 million barrels oil a day by 2025.

Links—Infrastructure Bank/Financing**Adjusting Infrastructure Financing Results in Substantial Decline in Oil Revenues**

[Deron Lovaas](#), Federal Transportation Policy Director, Natural Resources Defense Council, "Drilling in Detroit and on Main Street," National Journal Transportation Blog, March 18th, 2011

(<http://transportation.nationaljournal.com/2011/03/the-impact-of-high-gas-prices.php>)

All of this leaves open the question of financing the needed investments, I realize. The unfortunate reality is that we should have raised the gas tax years ago, and invested the proceeds in developing a smarter, more flexible transportation infrastructure. Instead we have funnelled trillions of dollars to oil-exporters, and remain vulnerable to price fluctuations. Now that we have painted ourselves into a corner what will be needed, more than anything, is courage as Patrick Jones rightly says. An entrenched program needs to be overhauled, for starters, to simplify and slash waste in it, and make sure it is "performance-driven" as the Bipartisan Policy Center rightly advocates. Innovative financing concepts have to be deployed, e.g., a national infrastructure bank and public-private partnerships, that leverage limited public dollars. And new revenues also have to be developed, e.g., road and congestion pricing, the gas tax, and probably - someday - a VMT fee. But as David Heymsfeld rightly notes this last step will be especially hard to take. The bottom line is that addressing both threats posed by oil dependence and decaying transportation infrastructure will require extraordinary, serious and sustained public and private leadership.

Internal Links—Oil Key to Relations**Saudi Arabia Maintains the Relationship to Ensure the Western Demand For Oil**

Shibley Telhami, Professor, University of Maryland, "The Persian Gulf: Understanding the American Oil Strategy," BROOKINGS REVIEW, Spring 2002, (www.brookings.edu/press/review/spring2002/telhami.htm)

As conventionally understood, the American strategy is based on a resolve to assure the flow of oil to the West at reasonable prices—a resolve that extends to mitigating short-term interruptions in oil supply and subsequent spikes in pricing by relying on states, notably Saudi Arabia, that have excess capacity. (This alone requires Saudi-U.S. cooperation to assure that the Saudi capacity is used as a moderating force on the oil market.) But for more than half a century a central drive behind the American military strategy in the oil-rich region—one that has been not fully understood by most analysts—has been to deny the control of such vast resources to powerful enemies who would thereby become even more powerful and thus more threatening.

Internal Links—Oil Key to Relations**Oil Ties are the Critical Factor in Saudi-American Relations**

Dr. Joshua Teitelbaum, senior research associate at the Begin-Sadat Center for Strategic Studies, "Saudi Arabia, Iran and America in the Wake of the Arab Spring," BESA Center Perspectives Paper No. 140, May 23, 2011 (<http://www.biu.ac.il/SOC/besa/perspectives140.html>)

This is certainly a rocky period in Riyadh-Washington relations. As the US struggles to align its interests with its values, it finds it more difficult to support authoritarian monarchies like Bahrain and Saudi Arabia. But values and interests do not neatly align themselves in international relations. While the US wants to favor democracy and oppose authoritarianism, the authoritarian Islamic regime in Riyadh still plays an integral role in long-term stability and assuring oil supply. In October 2010, the US announced an arms deal with the kingdom worth over \$60 billion. In early April 2011, the US Navy disclosed that Saudi Arabia had asked the US to prepare a proposal for the supply of warships with integrated air and Aegis missile defense systems, as well as helicopters, patrol craft and shore infrastructure. Even if this latter deal does not go through, it demonstrates that the long-term survival of the Saudi regime is still a major US priority in light of the mutual Iranian threat. And, the Saudis knew they could turn to America, indicating business as usual.

Internal Links—Oil Key to Relations**Oil Trade is the Crucial Basis of the US-Saudi Relationship**

Josh Pollack is a Washington, DC-based defense consultant, "SAUDI ARABIA AND THE UNITED STATES, 1931-2002," Middle East Review of International Affairs, September 2002

([http://meria.idc.ac.il/journal/2002/issue3/jv6n3a7.html#Josh Pollack](http://meria.idc.ac.il/journal/2002/issue3/jv6n3a7.html#Josh%20Pollack))

Second, what turned out to be the kingdom's unparalleled oil resources laid the foundations of the relationship. Over the following decades, control of Aramco and its revenues passed by steps from American into Saudi hands, but Washington's attention did not flag. Initially, the United States focused on excluding other foreign powers, particularly the British. As one American official viewed the matter in 1944, "The oil in this region is the greatest single prize in all history."⁽⁶⁾ Later, the United States instead became concerned with energy security for the entire industrial world. As President George H.W. Bush would tell King Fahd bin Abd al-Aziz on August 4, 1990, just hours after the Iraqi invasion of Kuwait, "[t]he security of Saudi Arabia is vital—basically fundamental—to U.S. interests and really to the interests of the Western world."⁽⁷⁾ American leaders eventually concluded that their ultimate national interest in the Persian Gulf was to keep the prize, and the power that comes with it, out of unfriendly hands, whether they might be those of radical Arabs, the Soviet Union, or revolutionary Iran. Where the profits happened to go was of secondary importance.⁽⁸⁾

The Saudis, for their part, were determined from the first to the last to secure the integrity and sovereignty of the kingdom, and their hold on power within it. Abd al-Aziz reportedly once enumerated to an American the factors behind his decision to seek ties, mentioning American oil expertise, a reputation for respectful relations with other Arabs, greater interest in expanding business relations than in consolidating an imperial sphere, and, "lastly, you are very far away!"—in implicit but sharp distinction to the British.⁽⁹⁾

Internal Links—Oil Key to Relations**Saudi-US Security Ties are Premised on Oil Relations—They are the Driver For the Entire Process**

James Baker, Secretary of State for George H W Bush, "Interview," Frontline, October 2001

(<http://www.pbs.org/wgbh/pages/frontline/shows/saudi/interviews/baker.html>)

Why is Saudi Arabia important? Well, Saudi Arabia is important because the United States has a very substantial national security interest in ready access to the energy supplies of the Persian Gulf. Saudi Arabia controls most of those energy supplies. So it has been an ally and friend of the United States for as long as I can remember. ... You say Saudi Arabia has been central through all of these administrations to our national security. It's my understanding that, in the 1980s, we, in a sense, made a strategic shift because of what happened in Iran. We encouraged the Saudis to create a military base complex, if you will, that would help us defend the region. That's very possibly true. I don't remember specifically that happening. But we have, through the years, in connection with our close alliance with them, and our national interest in protecting the energy reserves of the Persian Gulf... We've encouraged them to provide funding for security measures, and to create, to the extent they could, their own security.

Internal Links—Oil Key to Relations**Saudi American Relations are Based on Oil Imposed Stability**

George Friedman, PhD, Founder and CEO of Stratfor. "The Geopolitics of \$130 Oil," Stratfor Geopolitical Intelligence Report, May 27th, 2008 (http://www.stratfor.com/weekly/geopolitics_130_oil)

As we have already said, the biggest winners are the countries of the Arabian Peninsula. Although somewhat strained, these countries never really suffered during the period of low oil prices. They have now more than rebalanced their financial system and are making the most of it. This is a time when they absolutely do not want anything disrupting the flow of oil from their region. Closing the Strait of Hormuz, for example, would be disastrous to them. We therefore see the Saudis, in particular, taking steps to stabilize the region. This includes supporting Israeli-Syrian peace talks, using influence with Sunnis in Iraq to confront al Qaeda, making certain that Shiites in Saudi Arabia profit from the boom. (Other Gulf countries are doing the same with their Shiites. This is designed to remove one of Iran's levers in the region: a rising of Shiites in the Arabian Peninsula.) In addition, the Saudis are using their economic power to re-establish the relationship they had with the United States before 9/11. With the financial institutions in the United States in disarray, the Arabian Peninsula can be very helpful.

Impacts—Decline in Saudi Oil→ Chaos**Saudis Will Use Cheap Oil as a Strategy to Antagonize Iran and Iraq**

RT News, "Saudi Arabia's oil war plan hinted," June 1st, 2012 (<http://www.rt.com/news/saudi-arabia-oil-plot-754/>)

Saudi Arabia and its Sunni allies may right now be boosting oil production, aiming to plunge the market price to as low as US\$60 per barrel. The ultimate goal is to cripple the economies of Shiite Iran and Iraq, an insider view suggests. The insight comes from Barton Biggs, hedge fund manager running Traxis Partners, who spoke with a Saudi Arabian businessman close to the country's royal circles. Biggs met the man for a business lunch and asked for an overview of the Middle-Eastern country's policies in the medium and long terms, reports Business Insider citing Biggs' note published by Itaú BBA.

"You have to understand our geopolitical equation and vulnerability," the Saudi businessman is cited as saying.

"Our two most dangerous enemies are Iraq and Iran. Both are Shia, and both are trying to destabilize the Arab world and our Sunni kingdom by funding terrorism. Our only weapons against them are our wealth and our oil. Their current vulnerability is their financial fragility. Their financial reserves are a fraction of ours, and they desperately need money to prop up their economies," he said.

The Saudi ruling council's plan is to ramp up oil production over the next two years and seize the moment to strike at Iran and Iraq, the businessman, who is described as "very rich and presumably well-connected", explained.

"Iraq and Iran need to produce and sell their oil at well over \$100 a barrel. In the next 24 months, we will gradually increase our production with the objective of breaking the price of crude down to sixty dollars a barrel," he said.

The businessman, who is not part of the Saudi extended royal family, added that the plan has the backing of other Persian Gulf monarchies.

"Under normal recessionary circumstances, we would be reducing production to maintain current prices. Instead, we will be flooding a weak market already suffering indigestion. You also should understand that Kuwait and the United Arab Emirates are with us. Royal families tend to stick together," he is cited as saying.

Barton Biggs says cheap oil would be good news for the global economy as a whole, as it would essentially amount to "a giant tax cut, which is just what this sickly old world needs." Still he sees many obstacles to the plan, if it is indeed what was outlined in the conversation, given the political instability in the region ravaged by the Arab Spring.

Impacts—Decline in Saudi Oil→ Chaos**Disruption In Saudi Oil Will Destroy the Economy and Cause Global Chaos**

Matthew R. Simmons, Oil Economist and Former Member of the National Petroleum Council, “The Implications of Saudi Arabian Oil Declining,” Hudson Institute, July 9th, 2004 (<http://www.hudson.org/files/publications/Simmons%20-%20Implications%20of%20Declining%20Saudi%20Oil.pdf>)

Oil is a global commodity so it is fungible, but no other oil producer can step up to the plate to fill the large void created as a result of a hiccup in Saudi Arabian oil output. Thus, all importing countries would be negatively impacted if this critical life-blood flowing through our global economy's veins started declining.

Is there an easy fix if this problem does begin to manifest? The easy and honest answer is no. Energy substitution does work to create electricity, but oil stopped being used as a significant source to create electricity over 20 years ago.

Since oil is so heavily employed for transportation fuels, including motor gasoline, diesel fuels, jet fuels, railroads and ships, a physical shortage of even a tiny amount would suddenly throw a genuine monkey wrench into the entire configuration of our globalized society.

The geopolitical implications of this problem are also severe. I have oftentimes said that I would not want to be part of any energy delegation charged with the responsibility of having to tell the leaders of either India, or particularly China, that their exciting emergence into prosperity is over because we have no spare energy to fuel their great dreams.

Impacts—Saudi Trades-Off With Iranian Oil**Saudi Arabia Will Increase Production to Trade-Off With Iranian Oil Capacity**

Reuters, "Exclusive: Iran sanctions seen spurring more Saudi oil sales to U.S." March 16th, 2012

(<http://www.reuters.com/article/2012/03/16/us-saudi-exports-idUSBRE82F0W420120316>)

But some say the scale of the increase, plus other U.S. data showing Gulf Coast inventories are still subdued, suggest the potential for a political dimension as well, evoking comparisons to 2008 when the OPEC kingpin was driving up production to knock oil prices off record highs near \$150 a barrel.

The surge appears set to continue. Vela, Saudi Arabia's state oil tanker company, has booked at least nine very large crude carriers (VLCCs) capable of carrying 2 million barrels of crude each from the Middle East Gulf to the U.S. Gulf since the start of March, the biggest such wave of fixtures in years, analysts say.

The pivot to the U.S. market, which bore the brunt of Saudi output curbs after 2008, is a surprise for two reasons.

For one, many analysts had believed that the kingdom's modest output increase in recent months was bound for fast-growing Asian markets, particularly given the pressure on refiners there to reduce their imports from Iran.

Plus, it comes after a year in which [U.S. crude](#) oil imports shrank to their lowest since 1999 thanks to a dramatic boom in shale oil production and tepid demand from consumers who are making every effort to cut back as gasoline prices rise.

The White House has been scrambling for options to bring down gasoline prices -- at a seasonal record high -- during an election year, after concerns over an Iranian supply disruption launched benchmark [Brent crude](#) to lofty peaks over \$120 a barrel not seen since the record price run of 2008.

Washington has urged ally [Saudi Arabia](#) to cover potential shortages when new U.S. and European Union sanctions are expected to reduce Iranian oil exports from July. The Obama administration has considered releasing strategic oil inventories, potentially as part of a bilateral deal with Britain.

Impacts—Damage Iranian Oil→ War**Further Damage to Iranian Oil Production Will Lead to Military Action**

AME Info Middle East Reporter, "Saudi oil production to stay high on US demand, Iran sanctions," March 18th, 2012 (<http://www.ameinfo.com/293804.html>)

Speaking to AMEinfo.com about possible emerging tensions between Iran and Saudi Arabia, Caroline Bain, The Economist's Senior Commodities Editor shared her views on the state of each nation's production and outlook:

"We are not currently factoring in a significant reduction in Iran's exports. We expect Iran to produce 300,000 bpd less on average in 2011 than 2010, and a further 500,000 bpd less in 2012. However, prior to the EU embargo, we were already forecasting some slippage in Iran's production owing to ageing fields and a lack of recent investment."

According to Bain, Saudi Arabia's higher production will help to stabilise the oil market and will not have a negative impact on other exporters - Iran being the possible exception. Saudi Aramco have inked various deals with Asian buyers looking to secure supply and reduce dependence on Iran.

"However, South Korea is a significant purchaser of Iranian crude," highlights Bain. "Iran supplied 10% of the country's domestic demand in the first nine months of 2011. In the last couple of months there have also been deals with Indonesia's Pertamina and India's Hindustan Corp."

It is not clear that Saudi Arabia's additional output will be sufficient to stabilise the oil market. There is also uncertainty about whether Asian buyers will absorb the Iranian oil that would have gone to Europe.

"The rhetoric suggests a reluctance to buy Iranian oil in Asia but the reality might be different, particularly if Iran offers discounted oil. Paying for Iranian oil will also be problematic and that may deter buyers. Total global supply is also difficult to estimate given that both Syrian and Yemeni oil output is currently disrupted and Sudan's exports have come to a halt. Flows from the North Sea have also been disappointing so far this year. So the price is expected to continue to attract a risk premium.

"The biggest 'geopolitical' risk is probably if Iran fails to find buyers for its oil. Given how key oil revenue is to the functioning of the Iranian economy, it could be the catalyst for Iran to take more drastic, perhaps military, measures."

Impacts—Alliance Key to Solve Iran**Sustained US Commitment to the Saudi Alliance is Key to Maintaining Middle East Stability and Preventing Conflict With Iran**

JOSEPH A. LAZAZZERO, Wake Forest University, "The U.S.-Saudi Alliance: A Necessary Shift toward Peace," 2008 (<http://www.thepresidency.org/storage/documents/Fellows2008/Lazazzero.pdf>)

A growing alliance between the United States and Saudi Arabia is, if nothing else, a purely strategic decision. Every criticism of Saudi Arabia would only worsen should the US choose to distance itself. The Saudis would be left alone to combat terrorist recruitment within its borders and American complaints of human rights violations would be ignored. If the US engages with the Saudis, however, not only would this reassure its oil interests, but it would also be a method to influence or even help Saudi Arabia with democratic reform, and reduce its ties to terrorism. The essential question is, what is more likely to move Saudi Arabia away from religious extremism and toward human rights reform, a US government that works as an ally and partner or one that criticizes and isolates itself from Saudi Arabia? Strengthening the alliance between the United States and Saudi Arabia will be a slow and tentative process for both nations. While the two countries have very different perspectives on Islam and government, recent polls of Saudis by Professor of Peace, Anwar Sadat in 2001 showed that most Saudis disagree with American politics, not values (Monshipouri, 65-84). There is a common thread that must be found between these two societies and the evidence shows that Saudi Arabia has made significant internal reforms and policy initiatives to fight terrorist recruitment and financing within its nation and will continue to assist in the War on Terrorism. Likewise, the United States cannot overplay its alliance with Saudi Arabia. It must serve at times as a mediator, making sure that Saudi Arabia contains Iran but does not provoke it. In addition, a nation that looks to protect the Muslim faith cannot make itself seen as a puppet for the U.S. Doing this not only risks internal strife within its government but also among Muslim nations abroad. Steps that recognize and bolster Saudi leadership, such as inviting Saudi Arabia to next week's Arab-Israeli Peace Summit, are examples of simple, yet effective ways of benefiting the relationship (Henry). Strengthening the U.S.-Saudi alliance will in no doubt be a long, arduous, and at times contradictory process, but it is a necessary shift toward peace.

Impacts—Relations Key to Solve Iranian Prolif**Cooperation Key to Utilize Oil Markets to Solve Iranian Proliferation**

Los Angeles Times, "West seeks Saudi Arabia's help on Iran oil sanctions," December 13, 2011

(<http://articles.latimes.com/2011/dec/13/world/la-fg-saudi-iran-20111214>)

In a new effort to persuade Iran to halt its nuclear program, the Obama administration and its European allies are asking Saudi Arabia to help them squeeze Iran's vital oil sector without driving up world energy prices and damaging the global economy. Officials in the United States, France, Britain and other countries have been lobbying the Saudis in recent weeks to produce billions more barrels of oil to provide an alternative source for buyers of Iranian oil. The goal is to keep global prices stable while cutting Iran's ability to sell oil on world markets. The move would come as Western governments add more sanctions to dissuade international customers from buying from Iran, now the world's fourth-largest oil exporter. A Western official said the Saudis have become "the great hope" for enabling the West to avoid an oil price increase while pressuring Iran to abandon its nuclear development program. U.S. officials say Tehran is fast approaching the ability to build a nuclear weapon. Iran says it is enriching uranium to generate electricity in power plants. The Saudis have given some positive signals, but Western officials say it's unclear whether they will follow through.

Impacts—Iranian Prolif→ Extinction**Iranian Prolif Causes Extinction**

Sokolsky 03 (Henry, Exec Dir – Nonproliferation Policy Education Center, Policy Review, 10-1, Lexis)

If nothing is done to shore up U.S. and allied security relations with the Gulf Coordination Council states and with Iraq, Turkey, and Egypt, Iran's acquisition of even a nuclear weapons breakout capability could prompt one or more of these states to try to acquire a nuclear weapons option of their own. Similarly, if the U.S. fails to hold Pyongyang accountable for its violation of the NPT or lets Pyongyang hold on to one or more nuclear weapons while appearing to reward its violation with a new deal—one that heeds North Korea's demand for a nonaggression pact and continued construction of the two light water reactors—South Korea and Japan (and later, perhaps, Taiwan) will have powerful cause to question Washington's security commitment to them and their own pledges to stay non-nuclear. In such a world, Washington's worries would not be limited to gauging the military capabilities of a growing number of hostile, nuclear, or near-nuclear-armed nations. In addition, it would have to gauge the reliability of a growing number of nuclear or near-nuclear friends. Washington might still be able to assemble coalitions, but with more nations like France, with nuclear options of their own, it would be much, much more iffy. The amount of international intrigue such a world would generate would also easily exceed what our diplomats and leaders could manage or track. Rather than worry about using force for fear of producing another Vietnam, Washington and its very closest allies are more likely to grow weary of working closely with others and view military options through the rosy lens of their relatively quick victories in Desert Storm, Kosovo, Operation Iraqi Freedom, and Just Cause. This would be a world disturbingly similar to that of 1914 but with one big difference: It would be spring-loaded to go nuclear.

Impacts—Oil Prices Key to Economy**Massive Decline in Saudi Oil Prices and Production Devastates the Saudi and Thus World Economy**

Nawaf Obaid, senior fellow at the King Faisal Center for Research and Islamic Studies, "The day of Saudi collapse is not near." April, Foreign Policy, July 2011 (http://oilandglory.foreignpolicy.com/category/wordpress_tag/arab_spring)

The logic of this narrative is there: Saudi Arabia holds 25 percent of the world's proven oil reserves, is the largest exporter of oil, is the only nation with significant spare capacity (almost 4 million barrels of oil a day), and is the leading power and sole swing producer in OPEC. A disruption in Saudi oil exports would create what can best be described as a global economic catastrophe. Unlike in the case of the disruption of Libyan exports, in which Plan B is for Saudi Arabia to increase its exports to steady the markets, there is no Plan B if Saudi Arabia goes off line. Because the kingdom possesses about 75 percent of the world's spare capacity -- all of which would now vanish -- oil would probably soar to \$200-\$300 per barrel in such a scenario. The effects this would have on economies around the world would be devastating. Stock markets would crash as mega non-energy multinational companies would see their energy costs soar, and their market cap valuations drop. The entire transportation sector would go bankrupt. Wall Street would be the most affected -- it would require federal government bailouts that would dwarf those made just a few years ago. The nascent U.S. recovery would grind to a halt, as every extra cent paid at the pump would pull about \$1 billion from motorists' pockets per year. The sudden, exorbitant rise in the cost of practically every commodity would cripple global trade.

Impacts—Oil Prices Key to Economy

Sustained Demand and Oil Prices are Crucial to Maintaining Investor Confidence in the Saudi Economy

Roubini Global Economics, "Critical Issues : Second Stimulus Boosts Saudi Reliance on High Oil Prices," April 1, 2011

*<http://www.roubini.com.proxy.lib.umich.edu/critical-issues/93212.php>)

Overview: In the face of the regime's most significant challenge, King Abdullah announced a series of stimulus measures in February and March 2011. These measures, costing as much as US\$90 billion—focused on health and education spending—come in the midst of political turmoil across much of the Middle East, including protests in Bahrain. Saudi Arabia continues to implement its multi-year development plan, but these measures are designed to boost growth further. Having provided the largest stimulus package in the MENA region in 2009, resulting in its first budget deficit in almost eight years, Saudi Arabia spent a record amount in 2010 to prop up economic activity and is on track to sharply increase spending in 2011. High oil prices will facilitate spending but increase vulnerability. RGE View (Mar 29, 2011): The new fiscal packages are in line with RGE's previous assumption that Saudi Arabia would reach into its pockets to dampen dissent. RGE estimates suggest that Saudi Arabia now requires an oil price of US\$85-90 per barrel to balance its budget. Moreover, unlike consensus views, the recent measures are not temporary, but will become a standing part of the Saudi budget, increasing its reliance on high oil prices as source of growth and revenue. Infrastructure investment will continue to lose out to social spending, especially as the government worries about adding to supply bottlenecks that emerged in 2010. Although Saudi Arabia can step up spending easily for now, its oil price comfort zone is now well above US\$80 per barrel, implying it will be slow to raise oil production and additions to its sovereign wealth fund will be much lower than in 2008. Moreover, it will likely draw on SAMA's liquid assets if needed to make up any temporary shortfalls. Analysis RGE Rachel Ziemba Mar 29, 2011 [Saudi Arabia: Any Means Necessary?](#) Analysis RGE Rachel Ziemba and Ayah El Said Mar 17, 2011 [Saudi Arabia Outlook: A Tougher Neighborhood](#)

The Official 2011 Budget Was Less Supportive Than in 2010 and 2009

Morgan Stanley: "High oil prices combined with an expansion in petrochemical production should allow the Saudi government to continue its expansionary fiscal policy in 2011, though to a lesser extent than in recent years. With a breakeven price of US\$72 per barrel, the budget should remain in a comfortable surplus, which Morgan Stanley estimates at "US\$35 billion, or 7.3% of GDP in 2011, compared to US\$29 billion, or 6.6% of GDP, in 2010". Analysis Morgan Stanley Mohamed Jaber Jan 18, 2011 [Saudi Arabia: Light Headwinds but Steady Growth](#)

In 2009, in the face of a slump in oil prices, Saudi Arabia ran its first deficit in a decade of 3.3% of GDP. Samba: The 2009 deficit was caused by "a steep decline in revenue, allied to a sharp surge in spending...Oil revenue fell by 56% much larger fall than the 42% decline in oil export earnings—reflecting the fact that Saudi Aramco withheld a larger share of oil export earnings for its own investment needs, as it completed a multi-year programme to raise oil production capacity to 12 million barrels/day. Thus, government oil revenue fell to just 71% percent of oil export revenue, down from 93% in 2008 and the lowest ratio since 2002" Spending rose 14.4%, almost triple the first estimate of 5.8%. This increase is consistent with the "number and scope of public sector projects that were rolled out in 2009. Government spending reached 42.3% of GDP in 2009—a significant surge over the 10-year average, and the highest level since 1991, a fiscal year that was distorted by the costs associated with the first Gulf war." Analysis SAMBA September 2010 [SAMBA Economic Monitor-September 2010](#) In 2009 Saudi Arabia announced that it plans to spend US\$400 billion on infrastructure over a five year period to prop up the economy. This amount constitutes "the largest stimulus package in the Group of 20 nations," according to the IMF.

Impacts—Relations Key to Petrodollar

Only the Strength of the Oil Based US-Saudi Relationship Keeps Saudi Arabia on the Dollar

Ian Bremmer, president and High quality global journalism requires investment, "Washington's stark choice: Democracy or Riyadh," Financial Times, March 17th, 2011 (<http://www.ft.com/cms/s/0/493c8dd0-50b7-11e0-9227-00144feab49a.html#ixzz1Y39ELPa5>)

Events of the past three months have shattered many assumptions about the [Middle East](#). The endurance of America's special relationship with Saudi Arabia may now be next, especially as the presence of [Saudi troops on Bahraini soil](#) presents the White House with a stark choice between relations with Riyadh and support for democracy. The US-Saudi relationship is special mainly because America is the world's leading consumer of crude oil, and Saudi Arabia its largest supplier. This mutual self-interest helped the two withstand the aftermath of the September 11 terrorist attacks, with personal ties between the Bush family and the Saudi royals helping to limit the long-term fallout. Such personal connections have also helped the US maintain its foothold in the Middle East, restrain Arab action against Israel, contain Iranian attempts to expand its regional influence and, most importantly, to moderate oil prices. Problematically, President Barack Obama arrived in office without such links – a circumstance made worse by the fact that the Americans now closest to the Saudi princes are senior US oil executives, who often oppose Mr Obama's policies. Saudi Arabia needs good relations with the US too, of course, but America's response to the protests across the Middle East has planted doubts about the reliability of their ally. Mr Obama's willingness to see [Egyptian protesters oust Hosni Mubarak](#) was the first sign of concern. Now the Saudis have been annoyed by Washington's initial reluctance to help [Libyan rebels topple Muammar Gaddafi](#), the one dictator in the region they really don't like. But it is America's refusal to mount a vigorous defence of the [Sunni monarchy in Bahrain](#) that truly alarms Riyadh. Bahrain's unrest is intensifying, just 16 miles across the King Fahd Causeway from Saudi territory. The Saudis' real fear is that protests instigated by a Shia majority fed up with a Sunni king might fuel Shia protests inside Saudi Arabia itself. A clear break in the relationship is unlikely, as Mr Obama continues to try to square the circle of support for democracy and the Saudi regime. The Saudis, meanwhile, are worried about what would happen if protests in Saudi Arabia threw the future of the family into question, especially given a cautious White House betting only on winners. It is by no means clear that the US would help to rescue its old friends, or even if anyone in Mr Obama's White House actually considers the Saudis old friends at all. All of this means we are now likely to see the Saudis openly hedge their bets. We have already seen evidence of this with the unexpectedly oblique Saudi response to the recent rise in oil prices. The Saudis have reasons to keep prices moderate: they don't want to undermine economic recovery among their best customers, encourage the faster development of hydrocarbon alternatives or empower rivals in Iran by adding to their revenues. That said, in recent weeks the Saudis have sent mixed signals on their output plans, a not-so-subtle rebuke to US officials. In fact, the single most important long-term implication of the instability in the Middle East may well be consolidation of the Gulf Co-operation Council under Saudi leadership, a move that would leave the Gulf monarchies less reliant on Washington for regional security. It would have lasting implications for the US role in the region and for the dollar as the primary reserve currency.

Impacts—Relations Key to Petrodollar**Saudi-US Relations are the Crucial Element to Keep the Petrodollar Dominant**

Chas Freeman, President, Middle East Policy Council, "Securing the U.S. Energy in a Changing World," Middle East Policy Council Briefing, Federal News Service, September 17th, 2004 (Lexis)

MR. FREEMAN: Thank you very much, Jim. I think a couple of issues arise and I'm sure we'll talk about these in the course of the discussion. The policy choices we face in this country, as you suggest, in terms of adjusting demand downward, thereby reducing dependence on particular forms of energy -- we can either address these through regulation or we can find ways to adjust them through the market, which usually our philosophy tells us is a far better way of doing things, but somehow rather in the area of gasoline and SUVs the market is something we don't want; we want the government to decree efficiency standards for automobiles. It's a very peculiar thing. I question whether this preference for regulation, for big government over markets, is a good idea and can survive the next presidential term. The second matter, and far more grave in many ways, is the demonstration of the end of the special relationship with Saudi Arabia; the end of the discounts and the end of the Saudi emphasis on primacy in the American market signals -- because there's another issue you didn't mention, which we will get into, and that is the part of this special relationship has been the defense of the dollar by the Saudis. Twice within OPEC, other members, Iran in particular, have moved to eliminate the dollar as the unit of account for the oil trade. Were this to occur in the current context of massive budget, balance of trade and balance of payments, deficits for the United States, the results could be absolutely devastating to the global economy and to our own. The reason the Saudis defended the dollar on the two previous occasions was not economic analysis but political affinity for the United States. Question if that affinity is no longer there, will they play that role? And this is a large issue with people like Paul Volcker, saying there is a very substantial danger within the next five years of some sort of dollar collapse, and this is not a minor, minor matter.

Impacts—Petrodollar Switch Kills the Economy**Switch Away from the Petro Dollar Creates an Immediate and World Ending Economic Crisis**

The Guardian, "Battle of the Currencies," February 26th, 2003 (www.cpa.org.au/garchve03/1127currency.html)

What would happen if OPEC made a sudden switch to euros, as opposed to a gradual transition? "the effect of an OPEC switch to the euro would be that oil-consuming nations would have to flush dollars out of their (central bank) reserve funds and replace these with euros. "The dollar would crash anywhere from 20-40% in value and the consequences would be those one could expect from any currency collapse and massive inflation (think Argentina currency crisis, for example). "You'd have foreign funds stream out of the US stock markets and dollar denominated assets, there'd surely be a run on the banks much like the 1930s, the current account deficit would become unserviceable, the budget deficit would go into default, and so on. Your basic third world economic crisis scenario." (Radio Free Europe/RL correspondent Charles Recknagel)

Impacts—Relations Key to Prolif**Decline in Saudi-US Relations Pushes Saudi Arabia to Develop its Own Nuclear Capacity**

Ray Takeyh, adjunct professor of peace and security studies at Georgetown University, "A Post-American Day Dawns in the Mideast," New York Times, June 8th, 2011 (http://www.nytimes.com/2011/06/09/opinion/09iht-edtakeyh09.html?_r=2)

For nearly 60 years, Saudi Arabia predicated its security on its American patron. The pledges of solidarity always concealed an incongruous relationship between a liberal democracy and a traditional monarchy. The oil-for-security compact, however, was underpinned by a more formidable alliance that worked effectively against common foes ranging from Soviet Communism to Saddam Hussein's revisionism. Today, Riyadh and Washington see the region in starkly different terms. The Arab Spring that has generated hopes in the West for responsive governance in the Middle East is seen in Saudi Arabia as an existential threat. Riyadh is not just questioning the utility of its American alliance, but is moving beyond it. As the Saudi state rethinks its security, it is likely to conclude that it has to rely on its own resources as well as alliances with like-minded states rather than a United States that it increasingly views as unreliable. Alternative external patrons such as China, or a league of conservative Arab monarchies, or even an independent nuclear deterrent, are likely to be seriously contemplated in the House of Saud.

Impacts—Relations Key to Prolif**Deterioration in the US-Saudi Relationship Will Encourage Independent Nuclearization and Regional Prolif**

Thomas Lippman, Sr. Adjunct Scholar-Council on Foreign Relations. "Saudi Arabia's Nuclear Policy – Lippman," Saudi US Relations Service, August 5th, 2011 (<http://www.susris.com/2011/08/05/saudi-arabia's-nuclear-policy-lippman/>)

So let us suppose that Saudi Arabia's currently testy relationship with the United States deteriorated to the point where the Saudis no longer felt they could rely on Washington's protection. If the Saudis could no longer assume that the armed forces of the United States are their ultimate weapon against external threats, might they not wish to acquire a different ultimate weapon? With that in mind, could not a reasonable case be made in the Saudis' minds for the development of an alternative security relationship, and perhaps a nuclear agreement, with another major power should relations with the United States deteriorate? A possible candidate for such a role would of course be China, a nuclear power that has a close relationship with Saudi Arabia's ally Pakistan and a growing need for imported oil. Sufficiently remote from the Gulf not to pose a direct threat to Saudi Arabia, and no longer part of any international communist movement, China could theoretically be an attractive partner. This is not to say that Saudi Arabia is actually seeking such a relationship with any country other than the United States, or that China would undertake such a mission, but to be unaware of any such outreach is not to exclude it from the realm of possibility. THE STRATEGY GAP The Saudi Arabian armed forces have never developed a coherent national security doctrine that could provide a serious basis for a decision to acquire nuclear weapons. But to summarize the reasons why Saudi Arabia might pursue such a course: it is a rich but weak country with armed forces of suspect competence; outmanned by combat-hardened, truculent and potentially nuclear-armed neighbors; and no longer confident that it can count on its American protector. Even before the Iraq War, Richard L. Russell of the National Defense University argued in a 2001 essay arguing the case for Saudi acquisition of nuclear capability that "It would be imprudent, to say the least, for Riyadh to make the cornerstone of [its] national-security posture out of an assumption that the United States would come to the kingdom's defense under any and all circumstances." It might be even more imprudent now. "From Riyadh's perspective," continued Russell, "the acquisition of nuclear weapons and secure delivery systems would appear logical and even necessary." Those "secure delivery systems," Russell argued, would not be aircraft, which are vulnerable to ground defenses, but "ballistic-missile delivery systems that would stand a near-invulnerable chance of penetrating enemy airspace" — namely, the CSS-2s. Military experts say it is theoretically possible that the missiles could be made operational, modernized, and retrofitted with nuclear warheads acquired from China, Pakistan or perhaps, within a few years, North Korea. Any attempt to do so, however, would present immense technical and political difficulties — so much so that Saudi Arabia might emerge less secure, rather than more.

Impacts—Saudi Prolif→ Nuclear War

Saudi Nuclearization Destablizes the Entire Middle East, Causes Lash-Outs and Nuclear War

Eric Edelman, Distinguished Fellow at the Center for Strategic and Budgetary Assessments & Former U.S. Undersecretary of Defense for Policy, Foreign Affairs, Jan-Feb, 2011

(<http://www.foreignaffairs.com/articles/67162/eric-s-edelman-andrew-f-krepinevich-jr-and-evan-braden-montgomer/the-dangers-of-a-nuclear-iran>)

There is, however, at least one state that could receive significant outside support: Saudi Arabia. And if it did, proliferation could accelerate throughout the region. Iran and Saudi Arabia have long been geopolitical and ideological rivals. Riyadh would face tremendous pressure to respond in some form to a nuclear-armed Iran, not only to deter Iranian coercion and subversion but also to preserve its sense that Saudi Arabia is the leading nation in the Muslim world. The Saudi government is already pursuing a nuclear power capability, which could be the first step along a slow road to nuclear weapons development. And concerns persist that it might be able to accelerate its progress by exploiting its close ties to Pakistan. During the 1980s, in response to the use of missiles during the Iran-Iraq War and their growing proliferation throughout the region, Saudi Arabia acquired several dozen css-2 intermediate-range ballistic missiles from China. The Pakistani government reportedly brokered the deal, and it may have also offered to sell Saudi Arabia nuclear warheads for the css-2s, which are not accurate enough to deliver conventional warheads effectively. There are still rumors that Riyadh and Islamabad have had discussions involving nuclear weapons, nuclear technology, or security guarantees. This "Islamabad option" could develop in one of several different ways. Pakistan could sell operational nuclear weapons and delivery systems to Saudi Arabia, or it could provide the Saudis with the infrastructure, material, and technical support they need to produce nuclear weapons themselves within a matter of years, as opposed to a decade or longer. Not only has Pakistan provided such support in the past, but it is currently building two more heavy-water reactors for plutonium production and a second chemical reprocessing facility to extract plutonium from spent nuclear fuel. In other words, it might accumulate more fissile material than it needs to maintain even a substantially expanded arsenal of its own. Alternatively, Pakistan might offer an extended deterrent guarantee to Saudi Arabia and deploy nuclear weapons, delivery systems, and troops on Saudi territory, a practice that the United States has employed for decades with its allies. This arrangement could be particularly appealing to both Saudi Arabia and Pakistan. It would allow the Saudis to argue that they are not violating the NPT since they would not be acquiring their own nuclear weapons. And an extended deterrent from Pakistan might be preferable to one from the United States because stationing foreign Muslim forces on Saudi territory would not trigger the kind of popular opposition that would accompany the deployment of U.S. troops. Pakistan, for its part, would gain financial benefits and international clout by deploying nuclear weapons in Saudi Arabia, as well as strategic depth against its chief rival, India. The Islamabad option raises a host of difficult issues, perhaps the most worrisome being how India would respond. Would it target Pakistan's weapons in Saudi Arabia with its own conventional or nuclear weapons? How would this expanded nuclear competition influence stability during a crisis in either the Middle East or South Asia? Regardless of India's reaction, any decision by the Saudi government to seek out nuclear weapons, by whatever means, would be highly destabilizing. It would increase the incentives of other nations in the Middle East to pursue nuclear weapons of their own. And it could increase their ability to do so by eroding the remaining barriers to nuclear proliferation: each additional state that acquires nuclear weapons weakens the nonproliferation regime, even if its particular method of acquisition only circumvents, rather than violates, the NPT. Were Saudi Arabia to acquire nuclear weapons, the Middle East would count three nuclear-armed states, and perhaps more before long. It is unclear how such an n-player competition would unfold because most analyses of nuclear deterrence are based on the U.S.-Soviet rivalry during the Cold War. It seems likely, however, that the interaction among three or more nuclear-armed powers would be more prone to miscalculation and escalation than a bipolar competition. During the Cold War, the United States and the Soviet Union only needed to concern themselves with an attack from the other. Multi-polar systems are generally considered to be less stable than bipolar systems because coalitions can shift quickly, upsetting the balance of power and creating incentives for an attack. More important, emerging nuclear powers in the Middle East might not take the costly steps necessary to preserve regional stability and avoid a nuclear exchange. For nuclear-armed states, the bedrock of deterrence is the knowledge that each side has a secure second-strike capability, so that no state can launch an attack with the expectation that it can wipe out its opponents' forces and avoid a devastating retaliation. However, emerging nuclear powers might not invest in expensive but survivable capabilities such as hardened missile silos or submarine-based nuclear forces. Given this likely vulnerability, the close proximity of states in the Middle East, and the very short flight times of ballistic missiles in the region, any new nuclear powers might be compelled to "launch on warning" of an attack or even, during a crisis, to use their nuclear forces preemptively. Their governments might also delegate launch authority to lower-level commanders, heightening the possibility of miscalculation and escalation. Moreover, if early warning systems were not integrated into robust command-and-control systems, the risk of an unauthorized or accidental launch would increase further still. And without sophisticated early warning systems, a nuclear attack might be unattributable or attributed incorrectly. That is, assuming that the leadership of a targeted state survived a first strike, it might not be able to accurately determine which nation was responsible. And this uncertainty, when combined with the pressure to respond quickly, would create a significant risk that it would retaliate against the wrong party, potentially triggering a regional nuclear war. Most existing nuclear powers have taken steps to protect their nuclear weapons from unauthorized use: from closely screening key personnel to developing technical safety measures, such as permissive action links, which require special codes before the weapons can be armed. Yet there is no guarantee that emerging nuclear powers would be willing or able to implement these measures, creating a significant risk that their governments might lose control over the weapons or nuclear material and that nonstate actors could gain access to these items. Some states might seek to mitigate threats to their nuclear arsenals; for instance, they might hide their weapons. In that case, however, a single intelligence compromise could leave their weapons vulnerable to attack or theft. Meanwhile, states outside the Middle East could also be a source of instability. Throughout the Cold War, the United States and the Soviet Union were engaged in a nuclear arms race that other nations were essentially powerless to influence. In a multipolar nuclear Middle East, other nuclear powers and states with advanced military technology could influence—for good or ill—the military competition within the region by selling or transferring technologies that most local actors lack today: solid-fuel rocket motors, enhanced missile-guidance systems, war-head miniaturization technology, early warning systems, air and missile defenses. Such transfers could stabilize a fragile nuclear balance if the emerging nuclear powers acquired more survivable arsenals as a result. But they could also be highly destabilizing. If, for example, an outside power sought to curry favor with a potential client state or gain influence with a prospective ally, it might share with that state the technology it needed to enhance the accuracy of its missiles and thereby increase its ability to launch a disarming first strike against any adversary. The ability of existing nuclear powers and other technically advanced military states to shape the emerging nuclear competition in the Middle East could lead to a new Great Game, with unpredictable consequences.

Impacts—Relations Key to Middle East Stability**US-Saudi Relations Stabilize the Entire Middle East**

Zbigniew Brzezinski, PHD, Former national security advisor to President Carter, "U.S.-Saudi Relations in a World Without Equilibrium," CSIS 2009 (<http://www.susris.com/articles/2009/ioi/090508-ussa-brzezinski.html>)

I think we need to work together and we have to draw some fundamental lessons from the experience of the previous century. In the previous century - the twentieth century - Europe twice committed suicide. And it took a lot of effort, including American effort, to help bring Europe to its feet. It committed suicide because it couldn't handle nationalist, ethnic, territorial, and yes, even also religious conflicts, on its own. It succumbed to the easy temptation of trying to resolve conflicts by force. But force tends to produce unpredictable consequences. It tends to escalate. It tends to get out of hand. And this is why it is so urgent to recognize in regards to the Israeli-Palestinian conflict; or the problem with Iran; or the issues involving Afghanistan and Pakistan; or the growing tensions within various countries in the Middle East -- political, social, and religious; external threats. As for example, Saudi Arabia recently expressed concerns about threats emanating from South Yemen. Religious differences, not only between Jews and Christians, or Jews and Muslims, or Muslims and Christians, but also among Muslims, the Sunni and the Shiite -- that none of these issues in the present context in the Middle East can be constructively resolved by conflict. But if there is not to be conflict, peace has to be institutionalized. It has to be reinforced, and it has to be built with deliberate effort. And as Professor Hagel said, "With a real sense of urgency." Because in fact a number of problems in the Middle East -- Middle East proper and Middle East at large -- are getting out of hand. The opportunities for a solution to the Israeli/Palestinian conflict are beginning to fade away. If we don't move soon, there will be no peace. But if there is no peace, what will there be? There will be a resumption of conflict and we had a little preview of it last December in Gaza, and we know what the consequences are. That will require a major American commitment stemming from the very practical realization that the two parties in the conflict cannot resolve it on their own. We know that. If 30 years of experience is not evidence of that, then I don't know what evidence is. The United States has to be actively engaged as a peace maker, and that means that the United States has to be willing to spell out at least the minimum parameters of peace so that the parties are then propelled toward serious negotiations. We need to do that. Saudi Arabia needs to help. We can do it from the outside. Saudi Arabia is in the region. Saudi Arabia can influence the Arabians, the Arab countries, and the Arab political movements. Saudi Arabia can mitigate some of the tendencies towards extremism within the population, and particularly within some of its more fundamentalist religious manifestations. We need this initiative to be comprehensive, large scale, and mutually reinforcing. And if we don't do it together, we and the Arabs around Israel and Palestine, it is not going to happen. And if it doesn't happen, it will become worse. War is not a solution for the problem posed in the region by Iran. If there is a conflict with Iran either provoked by someone or initiated by us the consequences for the region will be devastating. They will be devastating for us as well. Let's have no illusion about that. There is no solution to the problem of Iran -- in a narrow sense, the nuclear program; in a larger sense, the role of Iran in the region -- that can be achieved by war. Let's not be tempted by it. Let's not have anyone urge us privately to do it, even if not publicly. And let us not have anyone else provoke it. I think we are conscious about this imperative. We can avoid a conflict which will be self destructive for the region, not to mention the fact that it will probably undermine America's role in the world. And whether one likes it or not, a constructive American role in the world is the only alternative to global chaos from which everyone suffers. So the stakes are enormous. I could go on and on and talk about Afghanistan, Pakistan, but Senator Hagel has mentioned that and very aptly. My central message is very simple. If we want to deal with these problems, we have to work in concert. We have to take certain initiatives that we have long delayed in taking. And Saudi Arabia has to provide affirmative, assertive, outspoken leadership and not wait for others to act, but to be a partner. We need in brief: an American, Saudi Arabian, genuine alliance for peace in the Middle East.

Impacts—Relations Key to Middle East Stability**Relations are the Lynchpin of Middle Eastern Stability**

James Russel, Senior Lecturer, Department of National Security Affairs, "Deconstructing the U.S.-Saudi Partnership?" STRATEGIC INSIGHTS, September 3, 2002 (<http://www.dtic.mil/cgi-bin/GetTRDoc?AD=ADA524826>)

As a lynchpin of U.S. security strategy and policy in the Persian Gulf for over 50 years, Washington's relationship with Riyadh and the House of Al Saud has been a foundation of stability amidst the region's currents of instability. However bad things may have been in the Arab-Israeli conflict, Iraq, southern Lebanon or any number of other situations, the U.S.-Saudi relationship provided all concerned with a degree of assurance that events would not spin completely out of control. But this relationship is now under more pressure than at any time in recent memory. Various commentators have suggested that the partnership should be restructured to reflect what is described as a fundamentally adversarial relationship.[1] The inference from such arguments is that a strong U.S.-Saudi relationship no longer serves U.S. strategic interests. Much of the commentary on the U.S.-Saudi relationship focuses on supposed broad policy incongruence between the two countries. The two countries are said to differ in their approach to terrorism, religion, pluralism, human rights, the Arab-Israeli conflict, possible military action against Iraq, and Saudi Arabia's role and importance in world oil markets. Often left out from this commentary are the ongoing activities between the two countries that helped preserve regional security and stability over the decades, which stemmed in part from a shared strategic vision. While the term has become de rigueur of late, the United States could not have pursued its policy of "dual containment" during the 1990s without Saudi support. While many critics have emphasized that the policy had negligible impact on Iran, the policy of containment helped prevent Saddam Hussein from seriously disrupting regional peace and security during the 1990s. The Iraqi military remains hamstrung by a decade of sanctions, and WMD breakout was certainly made more difficult during the UNSCOM era. Suggestions that the U.S.-Saudi relationship needs to be altered often ignore the organizations that have been created to manage this partnership - organizations that reflect a depth and complexity in Saudi-American relations that is generally unappreciated. In and of themselves, these entities and their activities do not justify preserving the status quo, but they do suggest that the U.S.-Saudi security partnership could be deconstructed only with great difficulty and with dramatic and unforeseen consequences for regional security.

Impacts—Middle East Stability Impacts**Instability in the Middle East is the Most Likely Cause of a World Destroying Nuclear Conflict**

John Steinbach, DC Iraq Coalition, Israeli Weapons of Mass Destruction: A Threat to Peace, March 2002
(http://www.wagingpeace.org/articles/2002/03/00_steinbach_israeli-wmd.htm)

Meanwhile, the existence of an arsenal of mass destruction in such an unstable region in turn has serious implications for future arms control and disarmament negotiations, and even the threat of nuclear war. Seymour Hersh warns, "Should war break out in the Middle East again,... or should any Arab nation fire missiles against Israel, as the Iraqis did, a nuclear escalation, once unthinkable except as a last resort, would now be a strong probability." (41) and Ezer Weissman, Israel's current President said "The nuclear issue is gaining momentum (and the) next war will not be conventional." (42) Russia and before it the Soviet Union has long been a major (if not the major) target of Israeli nukes. It is widely reported that the principal purpose of Jonathan Pollard's spying for Israel was to furnish satellite images of Soviet targets and other super sensitive data relating to U.S. nuclear targeting strategy. (43) (Since launching its own satellite in 1988, Israel no longer needs U.S. spy secrets.) Israeli nukes aimed at the Russian heartland seriously complicate disarmament and arms control negotiations and, at the very least, the unilateral possession of nuclear weapons by Israel is enormously destabilizing, and dramatically lowers the threshold for their actual use, if not for all out nuclear war. In the words of Mark Gaffney, "... if the familiar pattern (Israel refining its weapons of mass destruction with U.S. complicity) is not reversed soon - for whatever reason - the deepening Middle East conflict could trigger a world conflagration." (44)

AT: Non-Ux—Low Price Now

Saudis are Content With Status Quo Oil Prices—Pumping Out Oil Now is Keeping the Economy Functioning

San Francisco Chronicle, "Brent Oil Falls Below \$100 a Barrel for First Time Since October," June 1st, 2012
(http://www.sfgate.com/cgi-bin/article.cgi?f=/g/a/2012/06/01/bloomberg_articlesM4XH7X1A74E901-M4XRA.DTL#ixzz1wbQ7Mz7K)

Saudi Arabian Oil Minister Ali al-Naimi said on May 13 in Adelaide, Australia, that he wanted to see Brent drop to \$100. Oil output by the Organization of Petroleum Exporting Countries increased in May to the most since 2008 as the kingdom pumped at the fastest pace in at least 23 years, a Bloomberg survey showed yesterday.

OPEC production gained 20,000 barrels to an average 31.595 million barrels a day in May from a revised 31.575 million in April, according to the survey of oil companies, producers and analysts.

U.S. crude inventories climbed by 2.21 million barrels in the week to May 25 to the highest level since 1990, an Energy Department report showed.

China's PMI expanded at a slower pace for the first time in six months, the country's statistics bureau and logistics federation said in a statement today in Beijing. A reading above 50 indicates expansion.

Debt Crisis

Oil may decline further next week on concern that the euro- area debt crisis will spread, slowing economic growth and curbing fuel demand, a Bloomberg survey showed.

Seventeen of 33 analysts and traders, or 52 percent, forecast oil will drop through June 8. Nine respondents, or 27 percent, predicted an increase and seven estimated prices will be little changed.

"The current cocktail of crude stockbuilds, weak economic data from the world's major economies and an ever deepening sovereign debt crisis in Europe will be a strong force to overcome in the short term," Johannes Benigni, managing director at Vienna-based researcher JBC Energy GmbH, said in a report today.

AT: Drilling/Other Factors Overwhelm**Empirically, Other Actions Do Not Substantially Affect the Price of Oil—Only Government Imposed Transportation Infrastructure that Changes Demand Can Do It**

[Colin F. Peppard](#), Transportation Policy Advocate, Natural Resources Defense Council, “An Opportunity to Focus on Demand,” National Journal Transportation Blog, March 18th, 2011
(<http://transportation.nationaljournal.com/2011/03/the-impact-of-high-gas-prices.php>)

The global oil market is incredibly volatile. Unpredictable events like political unrest and natural disasters can spike the price of a barrel, translating into higher gasoline prices. Moreover, the long term price trend in the oil market is very clear – prices have risen for decades, and they will continue to. This has a significant impact on both business and households, driving up transportation costs as well as the cost of anything that relies on petroleum during either production or delivery to market. Unfortunately, there's little we can do about the price of oil. The global oil market is not easily affected by any of the domestic policy options that are available to U.S. lawmakers and administration officials. Short of direct gasoline subsidies, the government cannot change the price that people pay for oil or gasoline.

As my colleague Deron Lovaas explains on NRDC's Switchboard blog, evidence for this can be found in the difference between the U.S. and Canada. Canadians, despite living in a country with much larger proven oil reserves than the U.S. and that is a net exporter of oil, have experienced similar pre-tax fuel prices as we have in the U.S.

“Canada, with its vast resources and small population, can't drill its way out of price runups because they're shackled to a global oil marketplace. And we are too.”

While we can't alter how much we pay for gas, we can change how frequently we pay for it. We have the technology to reduce the amount of gas that families and businesses must buy, shielding us from price spikes and persistently high prices. Increasing vehicle efficiency, accelerating electrification of the auto fleet, and investing in public transportation and other transportation efficiency measures are all steps that may not do much to lower the price of gas, but they sure will let us buy less of it. We're just not taking advantage of them.

Unfortunately, the facts on the ground have not affected the conversation in Washington. Rather, they've focused the attention of many lawmakers on false solutions like more oil drilling that will nothing to affect oil or gasoline prices. Until we embrace the notion that reducing oil demand is the only effective strategy to deal with fuel prices that are certain to continue rising, as a country we'll continue to suffer through every oil price spike at the expense of our economy.

AT: Saudi Dependent on the US**Rising Demand Worldwide Gives Saudi Arabia Options**

Rachel Bronson, Former Adjunct Senior Fellow for Middle East Studies. "5 Myths About U.S.-Saudi Relations," Washington Post, May 21st, 2006 (<http://www.cfr.org/united-states/5-myths-us-saudi-relations/p10728>)

It's more complex than that. Growing oil demand from China, India and the developing world means that others are pursuing closer ties with the kingdom. Chinese President Hu Jintao flew from Washington to Riyadh in April, despite Bush administration protests that China was "locking up long-term oil deals" with oil-rich countries. Last year, Prince Saud al-Faisal, the foreign minister, stated that Saudi Arabia and China now have a "strategic relationship," because Saudi Arabia is the largest supplier of crude to China. Of course, Beijing will not replace Washington as the Saudis' key global partner. But growing oil demand elsewhere radically alters the options at Saudi Arabia's disposal.

AT: Markets Volatile**Only Actual Changes in Delivery Can Affect Price—Other Perceptive Changes are Quickly Remedied**

Oil Prices.com, "Why Saudi and US Attempts to Influence Oil Prices are Ineffective," March 26th, 2012

(<http://oilprice.com/Energy/Oil-Prices/Why-Saudi-and-US-Attempts-to-Influence-Oil-Prices-are-Ineffective.html>)

It seems that while all three countries have the stated wish to bring down oil prices, they appear to lack the power or at least the desire to do so. So, they are left with bluffing. It's true that oil markets move on rumours and sentiment, but not as far nor for as long as people believe. The joint U.S.-Great Britain announcement caused oil prices to fall sharply the same day before recovering nearly the entire loss by the close. The Saudi announcement that it might increase production caused a sharper one-day fall which was largely recouped the following day.

Oil prices are ultimately tied to the delivery of actual oil. Unlike, say, stock prices, which can become unhinged from fundamental conditions for companies or the economy as a whole for long periods, oil prices are constantly being disciplined by actual supply and demand in the real world. Short-term misperceptions can occasionally drive the price to unsustainable highs or lows, but not for very long.

What oil market participants took away from the two tightly spaced announcements was that neither party is serious about doing much of anything. It seems unlikely the United States and Great Britain would dip significantly into their strategic reserves at a time when a war with Iran could break out at a moment's notice--not so much because the United States and Britain want war, but because Israel may act unilaterally to start one. A war with Iran would constitute a real emergency, and so, draining strategic reserves now to appease voter concern over high gasoline prices might prove foolhardy. Unless war with Iran breaks out, look for a token release of oil if such a release comes at all.

AT: Transportation Not Enough**Transportation is the Largest Share of American Oil Consumption, It is the Crucial Sector that Relates US Dynamics to International Petroleum Markets**

[Emil H. Frankel](#), Visiting Scholar, Bipartisan Policy Center, "Reducing Transportation's Oil Addiction," National Journal Transportation Blog, March 18th, 2011 (<http://transportation.nationaljournal.com/2011/03/the-impact-of-high-gas-prices.php>)

The likelihood that gasoline prices will reach \$4.50 a gallon or higher during the summer driving season should remind us of the necessity of getting America's transportation system off its almost total dependence on petroleum. Transportation is the only major sector of the American economy to have such dependence. America does not have an "oil addiction" -- American transportation has this addiction. About 70 percent of America's liquid petroleum usage is attributable to transportation. This is an unacceptable national security risk and, as we are now seeing, an unacceptable risk to the stability and recovery of the American economy.

Even though the nation's oil supply is not now threatened, as the United States does not import much oil from Libya, Americans cannot escape the effect of shocks to oil supply anywhere in the world. Oil is an internationally-traded commodity, and threats to supply anywhere in the international system will drive up prices everywhere, as we are now experiencing in this country. While there will continue to be peaks and valleys in gasoline prices, the overall trends are clear and must be altered.

AT: Saudi Arabia Won't Be Affected By Transportation**Oil Supplies Virtually All of the US Transportation Infrastructure—Saudi Arabia is the Only Supplier that Determines the Flexibility of this Market**

Gal Luft and Anne Korin, executive director and director of policy and strategic planning at the Institute for the Analysis of Global Security, "Terror's next target," The Journal of International Security Affairs, December 2003 (<http://www.iags.org/n0111041.htm>)

Oil supplies 96% of U.S.' transportation energy and is a crucial component in the production and distribution of every commodity from toothpaste to golf balls. Though the U.S. consumes a quarter of the world's oil, it has a mere 3% of global reserves. To satisfy its growing energy needs the U.S. imports over 50% of its oil amounting to 10 million barrels per day (mbd). Over the next 20 years this dependency is projected to grow to nearly 70%.

Unfortunately, the world's leading oil producing countries and holders of the lion share of global reserves are either politically unstable and/or, in the words of President George W. Bush, "don't particularly like the U.S." Two thirds of global oil reserves are located in the world's most volatile region, where the U.S. is most disliked: the Middle East. This tremendous oil wealth is shared primarily among six Middle Eastern regimes: Saudi Arabia, Iran, Iraq, United Arab Emirates, Kuwait, and Libya. The Department of Energy predicts that oil imports from the Middle East to the U.S. will increase from 25% today to about 50% by 2020. A quarter of the world's oil reserves are controlled by Saudi Arabia, a country considered by many analysts a powder keg waiting to explode. Some try to underestimate the power of the Kingdom, neglecting the fact that the oil market's only significant excess production capacity, an extra 2.5 mbd that can be pumped at the flick of a switch when other suppliers falter -- as was done in early 2003 to compensate for disruption of flow from Nigeria, Venezuela, and Iraq -- is in Saudi Arabia. This makes Saudi Arabia the world's only guarantor of liquidity in the oil market.

AT: Saudi Oil Prices Rising**Saudi Oil is Now and Will Remain the Cheapest Form of Oil**

Glenn Hurowitz, senior fellow at the Center for International Policy, "Saudi oil cheaper than American oil," Grist.com, May 23rd, 2010 (<http://grist.org/article/saudi-oil-cheaper-than-american-oil/>)

Nothing could be further from the truth: offshore drilling has never and will never make us less reliant on Saudis, Iranians, or Venezuelans. Whether we like it or not, oil from those countries is cheaper and in many ways cleaner than oil from deep under the sea — and until that changes, Americans are going to continue to use it.

A lot of that is because of basic geology. It's easy to get oil out of the Saudi desert and other parts of the Middle East.

Middle Eastern oil tends to sit in immense, highly concentrated pools close to the surface. Even though many Saudi oil fields have been in production for decades, there's still loads of oil left. More oil comes from a single Saudi field, the [Ghawar](#), than every country except the United States and Russia — even though Ghawar has been in production since 1951.

In the United States, however, all the cheap oil is gone. We've been sucking it out of the ground for a hundred years. Pretty much all that's left is way down deep under the sea or in highly depleted wells that only wildcatters will drill. It's unpredictable, exploration frequently comes up dry, and because it requires sticking so many holes in the ground, accidents are more likely. Scraping what's left out of the ground and bringing it to gas stations is dangerous and costly.

Although oil companies are notoriously chary about sharing their production costs, the [International Energy Agency](#) recently published the results of a global survey based on published data and leaks from industry insiders.

What they found was unsurprising to oil industry insiders. Given the easily accessible geology and the still-plentiful supplies, Saudi oil clocks in at just four to six dollars per barrel, with similar costs for other sources of Middle Eastern oil like Iran and Iraq. With relatively mature fields, Venezuelan oil costs about \$20.

But it still beats out oil from the Gulf of Mexico and other offshore areas of the United States, which cost a comparatively whopping \$32 to \$65 dollars per barrel to produce, according to the IEA. Even when you throw in [transportation costs](#) of about two dollars a barrel to get oil from the Persian Gulf to the United States, Saudi oil is still just a quarter of the cost of offshore U.S. oil.

AT: Drilling Makes it Non-Ux**Drilling Will Have No Effect on Saudi Oil Imports or Prices, Only Demand**

Glenn Hurowitz, senior fellow at the Center for International Policy, "Saudi oil cheaper than American oil," Grist.com, May 23rd, 2010 (<http://grist.org/article/saudi-oil-cheaper-than-american-oil/>)

What this means is that no matter how many wells we drill in the sea floor, we're not going to displace Middle Eastern oil. On the world market, buyers will always snap up the cheap, easy to get Saudi oil first and only then turn to whatever dregs come from America. It's for this reason that when the price of oil plummets, domestic drilling operations become uneconomical and shut down, while the Saudis just keep on pumping. At best, additional offshore drilling will displace other domestic sources of oil like the Alaskan Arctic and marginal Texan fields, and perhaps Canada's tar sands, all of which cost even more than Gulf oil to get out of the ground.

AT: Saudi Oil Bad for the Environment**Saudi Oil is Environmentally Superior to Domestic Production**

Glenn Hurowitz, senior fellow at the Center for International Policy, "Saudi oil cheaper than American oil," Grist.com, May 23rd, 2010 (<http://grist.org/article/saudi-oil-cheaper-than-american-oil/>)

As long as we're using oil, it may not be such a bad thing to get so much of it from the Middle East, at least from an environmental perspective. Because the oil there occurs in such high concentrations, it requires far fewer holes to extract the same amount, dramatically reducing the risk of something going wrong. Even when there are spills, they have far fewer environmental consequences. It goes without saying that the mostly lifeless Arabian desert is not an ecologically sensitive fishery or Alaska's wildlife rich coastal plain.

AT: Price Declines Now**Saudis Won't Cut Production Now—Price Falls Not Enough**

Reuters, "Saudi unlikely to cut soon despite oil under \$100," June 1st, 2012

(<http://www.reuters.com/article/2012/06/01/opec-saudi-oil-idUSL5E8H17X020120601>)

LONDON, June 1 (Reuters) - Oil's fall below \$100 a barrel is unlikely to trigger a swift supply cut from OPEC power Saudi Arabia, which is pumping at its highest rate in decades, because its budget can comfortably withstand a much lower price.

Others in the Organization of the Petroleum Exporting Countries, including Iran and Iraq, need a higher price than Saudi Arabia to balance budgets and they may call on Riyadh to throttle back when producers meet on June 14 to set output policy.

Having campaigned aggressively to bring down oil prices that were damaging global economic growth, Saudi Oil Minister Ali al-Naimi may be reluctant to turn down the taps just yet.

AT: Other Sources of Oil Solve**All Other Sources are in Serious Trouble—Our Oil Dependence is Strongly Linked to Saudi Arabia Only**

Matthew R. Simmons, Oil Economist and Former Member of the National Petroleum Council, “The Implications of Saudi Arabian Oil Declining,” Hudson Institute, July 9th, 2004 (<http://www.hudson.org/files/publications/Simmons%20-%20Implications%20of%20Declining%20Saudi%20Oil.pdf>)

Canada's conventional oil supply is in serious decline. Thus far, they have been able to offset this decline by a steadily growing use of oil from bitumen (tar) and oil sands. But, both of these sources are extremely energy intense. It takes vast amounts of energy to convert almost all forms of non-conventional oil into usable oil. Whether Canada has ample natural gas (and water) to create the steam needed to melt this non-conventional oil into usable oil is becoming an increasingly serious concern.

Mexico's senior oil officials now publicly worry that their 3.5 million barrel per day oil supply could fall to under 1 million barrels a day by 2009/2010. This is why the budget at Pemex, Mexico's national oil company, has leapt from under \$3 billion per year to over \$12 billion.

Venezuela has the world's oldest oil system. Some of its key fields have been producing oil for almost 90 years. Since so much of this oil is very heavy, it has lasted far longer than it would have if the oil was light and easy to get out of the ground. But, Venezuelan oil is also in decline and political uncertainties could at any time erupt resulting in serious supply problems.

Aff—Non-Ux: Transportation Now

Obama's Actions on Transportation Infrastructure Have Already Shaken Oil Markets and Future Imports, the Plan is Irrelevant

National Resources Defense Council Blogs, "2012: The Year of Transportation Infrastructure," January 25th, 2012 (http://switchboard.nrdc.org/blogs/dlovaas/2012_the_year_of_transportatio.html)

In his speech to the nation last night President Obama recognized, as he's done many times before, that transportation infrastructure is in desperate need of repair. The 2009 Recovery Act (the much-maligned "stimulus" bill) helped to reduce the growing backlog of deferred maintenance -- with half or more of the money going to reconstruction, rehabilitation or resurfacing of roads and bridges (pdf of a report by the General Accountability Office [here](#)). But that pipeline of investment is now down to a trickle. The president also took the opportunity to hearken back to a time when leaders in both political parties collaborated on the design, finance and building of big projects such as the Golden Gate Bridge. Obama called for cutting so-called "red tape", which is unfortunate (more on that later), but he also correctly noted that there's "never been a better time to build." This is a point made most forcefully by columnist Ezra Klein [who has noted that](#) low interest rates as well as low labor and materials costs due to the economic down turn allow big-time leveraging of taxpayer dollars. This means that now is the time to invest in infrastructure. Where to get the capital for doing so? The president proposed taking half of the savings -- [about \\$200 billion according to the National Journal's Fawn Johnson](#) -- from our reduced spending on wars overseas and investing it in "nation-building right here at home."

- 1) As an aside, there is a remarkable connection of dots that some smart reporter should make here, regarding wonderful progress in developing energy security and a saner foreign policy. Our lack of the former has often hamstrung the latter, or as former [Secretary of State Condoleezza Rice rightly noted](#), "I have never seen anything warp diplomacy like high oil prices." President Obama and his administration may finally be cutting that Gordian knot thanks to bold work on a several fronts: They are ramping down our military presence in the Middle Eastern nations, saving troops and treasure;
- 2) Oil production has risen fairly dramatically during this presidency; and
- 3) The president is ratcheting up vehicle fuel-efficiency standards and supporting options such as pluggable cars and public transportation.

One payoff from these moves is the financial savings Obama references. Another is a remarkable drop in oil imports, which are expected to plummet further in coming decades according to [the latest Department of Energy projections](#) (which don't even include newly proposed standards for 2017-2025, which will squeeze imports much more). Last but not least -- and notably separate from import reduction since prices are determined globally regardless of how much oil we import -- is the insulation that more fuel-efficiency provides from price volatility.

Aff—Stability Non-Ux**Bahrain and Other Zones Destabilize the Middle East Now**

Bloomberg News, "Saudi Arabia Risks Shiite Unrest in Wake of Bahrain Turmoil," Feb 20, 2011

(<http://www.bloomberg.com/news/2011-02-17/saudi-arabia-risks-contagion-from-shiite-protests-roiling-neighbor-bahrain.html>)

Violent protests in [Bahrain](#) provoked by discontent among majority Shiite Muslims risk spilling over to their co-religionists in neighboring Saudi Arabia, the world's biggest oil exporter, analysts said.

Bahrain, a close Saudi ally ruled by the Sunni Muslim Al Khalifa family, has been rocked by unrest since Feb. 14 that has led to calls for the government's dismissal and the creation of a constitutional monarchy after at least five people were killed as security forces opened fire on demonstrators.

A member of the Saudi royal family, Prince Talal Bin Abdul Aziz, warned in an interview with BBC Arabic TV that unless [King Abdullah](#) introduces more political participation and human rights, [Saudi Arabia](#) may also see protests.

"Unless problems facing Saudi Arabia are solved, what happened and is still happening in some Arab countries, including Bahrain, could spread to Saudi Arabia, even worse," Prince Talal told the London-based TV broadcaster in an interview aired late Feb. 17.

Credit-default swaps on Saudi Arabia surged on Feb. 18 on concern political unrest in Bahrain will spread to the kingdom.

"There is tension right now and now you have the added situation in Bahrain that may ignite the spark," said Christoph Wilcke, an expert on the country at New York-based Human Rights Watch, by phone from Munich. "This anger has the potential to spill over."

Unrest in Bahrain, which is linked to Saudi Arabia by a 26-kilometer (16-mile) causeway and whose capital, Manama, is only a four-hour-drive from its Saudi counterpart, [Riyadh](#), has in the past spread across the border. In 1995, the Saudi government arrested a large number of Shiites in its Eastern Province on suspicion of involvement in protests taking place in Bahrain, according to Human Rights Watch.

Saudi Foreign Minister Prince Saud al-Faisal and counterparts from other members of the six-nation Gulf Cooperation Council pledged to Bahrain they will stand "united in the face of challenges" and wished it "continued progress, security and stability" at an emergency meeting on Feb. 17 in Manama, the official Saudi Press Agency said. The potential for protests in Bahrain to oust the kingdom's Sunni rulers is a major strategic threat to Saudi Arabia, said Ayham Kamel, an analyst at the [Eurasia Group](#) in [Washington](#), which monitors political risk.

Aff—Oil Not Key to Relations**Oil is No Longer the Basis of the US Saudi Relationship**

Turkish News Wire, "Saudi Arabia in the New Middle East , " Council on Foreign Relations January 27th, 2012
(<http://www.cfr.org/saudi-arabia/saudi-arabia-new-middle-east/p26663>)

The U.S.-Saudi relationship has, unsurprisingly, been affected by these and other challenges, including Saudi unhappiness with Washington's decision to distance itself from Egyptian president Hosni Mubarak, the lack of progress on the Israeli-Palestinian peace process, and Iran. For its part, the United States is unhappy with the Saudi intervention in Bahrain and Saudi support for radical Islamists around the region and the world. The two traditional anchors of the U.S.-Saudi relationship—the Cold War and U.S. operation of Riyadh's oil fields—are, Gause notes, no longer factors. It is no wonder, he contends, that the relationship is strained when problems are myriad and the old foundations of the informal alliance are gone.

Aff—Security Cooperation Solves the Impact**American Security Cooperation Will Continue Inevitably, It Solves the Relations and Stability Risks**

Gawdat Bahgat, director of the Center for Middle Eastern Studies at Indiana University of Pennsylvania, "Nuclear Proliferation: The Case of Saudi Arabia" The Middle East Journal, Summer 2006 (JSTOR)

Very little attention has been given to nuclear proliferation in the third regional power in the Persian Gulf - Saudi Arabia. Does Saudi Arabia seek nuclear weapons capability? This question has not been adequately addressed. Most policymakers and analysts agree that the Kingdom does not have a nuclear weapons program.¹ Saudi officials' strong condemnations of nuclear weapons and assertions that their country has no desire to acquire them have further reinforced this consensus. Furthermore, Saudi Arabia, like other Arab countries and Iran, has called for making the entire Middle East a nuclear weapons free zone.² Despite the fact that no evidence points to Saudi acquisition of weapons of mass destruction, some analysts argue that the Kingdom has both the strategic incentive and the financial capability to pursue a nuclear option.³ Saudi Arabia is an important player in the volatile Persian Gulf and the broader Middle East and powerful neighbors have the capability to threaten Saudi national security. In short, Saudi Arabia is rich and vulnerable. Under these circumstances, nuclear weapons would deter aggression and provide Riyadh with a retaliatory capability if this aggression ultimately materializes. Many analysts have sought to explain why some nations choose to go nuclear, but it is also important to examine why certain nations choose not to.⁴ Above all, it is easier to explain why something happened than why it did not happen. This article will discuss the different allegations that Saudi Arabia has sought to acquire nuclear weapons capability. The following section will focus on the security environment, particularly the perceived threats from Israel, Iran, Iraq, and Yemen. Then, the decades-long unofficial alliance between Saudi Arabia and the United States will be analyzed. Finally, the potential impact of domestic economic and political reforms on the Kingdom's strategic posture will be examined. This article's analysis of Saudi Arabia's security environment is twofold. First, political and military developments in Iraq since the Gulf War (1991) and particularly in the aftermath of the fall of Saddam Husayn's regime (2003), have abolished the traditional security paradigm (i.e., playing Iran and Iraq against each other). The emerging security parameters since the beginning of this decade seem more threatening to Saudi Arabia and the other Gulf monarchies. Second, close security cooperation with the United States left Saudi Arabia with little incentive to acquire nuclear weapons. Strong US commitment to the survival of the Saudi regime and the country's territorial integrity will continue to be the best guarantee that the Kingdom will not seek nuclear weapons.

Aff—Relations Resilient**Relations are Resilient, No Risk to the Alliance**

Gawdat Bahgat, director of the Center for Middle Eastern Studies at Indiana University of Pennsylvania, "Nuclear Proliferation: The Case of Saudi Arabia" The Middle East Journal, Summer 2006 (JSTOR)

Recognizing the need to further consolidate their cooperation, Saudi Arabia and the United States inaugurated a new "strategic dialogue" in November 2005. This dialogue focuses on counterterrorism, military affairs, energy, business, education and human development, and consular affairs.⁴⁵ The goal is to institutionalize joint efforts to address these issues instead of relying on personal relationships and ad hoc contacts. Three conclusions regarding Saudi-American relations need to be highlighted. First, despite some serious crises and conflicting perceptions, the unofficial alliance between Riyadh and Washington is likely to endure. The two countries need each other. As David Long stresses, the relationship is "like a marriage from which there is no divorce."⁴⁶ Massive Saudi oil supplies are essential to maintaining stability in global energy markets and prosperity in the international economy. Meanwhile, the United States has repeatedly proven itself a reliable security partner to the Kingdom against its external enemies. Second, allying with the United States has served Saudi security concerns tremendously, but has also exposed the Saudi regime to domestic criticism and regional condemnation for the American military presence in the Kingdom and the close relations between the royal family and the United States. Since the mid-1990s, there have been several attacks on military and civilian American personnel in Saudi Arabia. Most noticeable was the 1995 attack in Riyadh, where five Americans were killed, and the 1996 attack in Dhahran. These attacks were responsible, at least in part, for causing the bulk of American troops to be withdrawn from the Kingdom and repositioned in neighboring Qatar in 2003. In other words, the decision to leave Saudi Arabia was made in part to help relieve internal political pressure on the royal family. But neither the US nor Saudi Arabia has any interest in terminating close military relations. Third, despite the extensive military and economic ties between Riyadh and Washington, "there is no strong or vocal pro-Saudi constituency in the United States."⁴⁷ The close cooperation between the two countries seems to be based only on ties between the elites on both sides. As one analyst suggests, "the Saudi-American relationship has never relied on broad-based public support, on either side of the partnership."⁴⁸

Aff—Oil Wars→ Extinction

Wars Based on Continuation of the Oil Economy Will Terminate in Human Extinction

Michael Meacher, Former UK Oil Minister, "The era of oil wars," The Guardian, June 29, 2008,
(<http://www.guardian.co.uk/commentisfree/2008/jun/29/oil.oilandgascompanies>)

What is most disturbing of all is that the big powers, so far from seeking major adjustments of their energy policies on either the supply or demand fronts or making a major switch into renewables, are actually massively intensifying their competitive struggle short-term for the limited oil reserves left. Despite an unwinnable war in Iraq, the US is still constructing at least five large permanent military bases there in order, according to evidence given to a US Congressional Committee, to control access to Gulf oil, including in Saudi and Iran. As one neocon recently put it, "one of the reasons we had no exit plan from Iraq is that we didn't intend to leave". The US is also trying to force through a new Iraqi oil law that would give western, primarily American, oil multinationals control of Iraqi oilfields for the next 30 years. The US maintains 737 military bases in 130 countries under cover of the "war on terror" to defend American economic interests, particularly access to oil. The principal objective for the continued existence and expansion of Nato post-cold war is the encirclement of Russia and the pre-emption of China dominating access to oil and gas in the Caspian Sea and Middle East regions. It is only the beginning of the unannounced titanic global resource struggle between the US and China, the world's largest importers of oil (China overtook Japan in 2003). Islam has been dragged into this tussle because it is in the Islamic world where most of these resources lie, but Islam is only a secondary player. In the case of Russia, the recent pronounced stepping up of western attacks on Putin and claims he is undermining democracy are ultimately aimed at securing a pro-western government there, and access to Russian oil and gas when Russia has more of these two hydrocarbons together than any other country in the world. The struggle has also spilled over into West Africa, reckoned to hold some 66 billion barrels of oil typically low in sulphur and thus ideal for refining. In 2005 the US imported more oil from the Gulf of Guinea than from Saudi and Kuwait combined, and is expected over the next 10 years to import more oil from Africa than from the Middle East. In step with this, the Pentagon is setting up a new unified military command for the continent named Africom. Conversely, Angola is now China's main supplier of crude oil, overtaking Saudi Arabia last year. There is no doubt that Africom, which will greatly increase the US military presence in Africa, is aimed at the growing conflict with China over oil supplies. As Joe Lieberman, former US presidential candidate, put it, efforts by the US and China to use imports to meet growing demand "may escalate competition for oil to something as hot and dangerous as the nuclear arms race between the US and the Soviet Union".

Aff—Oil Wars→ Extinction**High Oil Prices are Unsustainable in the Long Term—Only a Risk that the Plan Prevents a Larger World-Ending Collapse**

Huffington Post , “The New Thirty Years' War,” March 5th, 2011 (http://www.huffingtonpost.com/michael-t-klare/the-new-thirty-years-war_b_885036.html)

Why 30 years? Because that's how long it will take for experimental energy systems like hydrogen power, cellulosic ethanol, wave power, algae fuel, and advanced nuclear reactors to make it from the laboratory to full-scale industrial development. Some of these systems (as well, undoubtedly, as others not yet on our radar screens) will survive the winnowing process. Some will not. And there is little way to predict how it will go at this stage in the game. At the same time, the use of existing fuels like oil and coal, which spew carbon dioxide into the atmosphere, is likely to plummet, thanks both to diminished supplies and rising concerns over the growing dangers of carbon emissions.

This will be a war because the future profitability, or even survival, of many of the world's most powerful and wealthy corporations will be at risk, and because every nation has a potentially life-or-death stake in the contest. For giant oil companies like BP, Chevron, ExxonMobil, and Royal Dutch Shell, an eventual shift away from petroleum will have massive economic consequences. They will be forced to adopt new economic models and attempt to corner new markets, based on the production of alternative energy products, or risk collapse or absorption by more powerful competitors. In these same decades, new companies will arise, some undoubtedly coming to rival the oil giants in wealth and importance.

The fate of nations, too, will be at stake as they place their bets on competing technologies, cling to their existing energy patterns, or compete for global energy sources, markets, and reserves. Because the acquisition of adequate supplies of energy is as basic a matter of national security as can be imagined, struggles over vital resources -- oil and natural gas now, perhaps lithium or nickel (for electric-powered vehicles) in the future -- will trigger armed violence.

When these three decades are over, as with the Treaty of Westphalia, the planet is likely to have in place the foundations of a new system for organizing itself -- this time around energy needs. In the meantime, the struggle for energy resources is guaranteed to grow ever more intense for a simple reason: there is no way the existing energy system can satisfy the world's future requirements. It must be replaced or supplemented in a major way by a renewable alternative system or, forget Westphalia, the planet will be subject to environmental disaster of a sort hard to imagine today.